

\$1,117,601  
CITY OF WAUKESHA, WISCONSIN  
WATERWORKS SYSTEM REVENUE BONDS, SERIES 2013  
DATED MAY 22, 2013

TABLE OF CONTENTS

1. Legal Opinion of Quarles & Brady LLP
2. Closing Certificate
3. Resolution Authorizing the Issuance and Sale of Up to \$1,117,601 Waterworks System Revenue Bonds, Series 2013, and Providing for Other Details and Covenants With Respect Thereto
  - A. Certificate of Compliance with Open Meeting Law Public Notice Requirements
  - B. Excerpts of Minutes of Meeting of the Common Council of the City of Waukesha Held on May 7, 2013
  - C. Resolution
4. No Arbitrage Certificate
5. Form 8038-G
6. Financial Assistance Agreement
7. Bond Specimen
8. Miscellaneous



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May 22, 2013

Re: City of Waukesha, Wisconsin (the "Municipality")  
Waterworks System Revenue Bonds, Series 2013, dated May 22, 2013 (the  
"Bonds")

WE HEREBY CERTIFY that, as bond counsel to the Municipality, we have examined a certified transcript of proceedings relating to the authorization and issuance of the Bonds, the law and such other documents furnished us as we deem necessary to give this opinion, including:

- (a) The Financial Assistance Agreement dated as of May 22, 2013 by and between the Municipality and the State of Wisconsin by the Department of Natural Resources and the Department of Administration (the "Financial Assistance Agreement"); and
- (b) Resolution Authorizing the Issuance and Sale of Up to \$1,117,601 Waterworks System Revenue Bonds, Series 2013, and Providing for Other Details and Covenants With Respect Thereto adopted by the Common Council of the Municipality on May 7, 2013 (the "Resolution").

We have relied upon such transcript and documents as to the matters of fact stated therein without independent verification, and have assumed that the Financial Assistance Agreement is a valid and binding obligation enforceable in accordance with its terms as to parties other than the Municipality.

We further certify that we have examined a sample of the Bonds and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion as of the date hereof and under existing law that:

1. The Municipality is a validly existing body corporate and politic and has the requisite power and authority under Section 66.0621, Wisconsin Statutes (the "Act"), to adopt the Resolution, perform the agreements on its part contained therein, to execute and deliver the Financial Assistance Agreement and to issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the Municipality and sold to the State.
3. Each of the Financial Assistance Agreement and the Bonds constitutes a legal, valid and binding obligation of the Municipality, enforceable against the Municipality in accordance with their respective terms (provided that the enforceability thereof may be subject to

bankruptcy, insolvency, reorganization, moratorium and other similar laws now or hereafter in effect affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity).

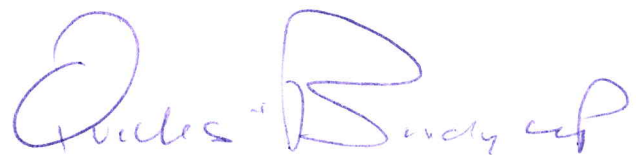
4. The Bonds are the valid and binding special obligations of the Municipality, payable solely from and secured by a pledge of the income and revenue to be derived from the operation of the Waterworks System of the Municipality (the "Revenues"), junior and subordinate to the pledge granted to the owners of the Municipality's Waterworks System Revenue Bonds, Series 2006, dated April 15, 2006 and Waterworks System Revenue Bonds, Series 2008, dated April 22, 2008.

5. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes and for the Bonds not to be "private activity bonds". Failure to comply with certain of those requirements could cause the Bonds to become "private activity bonds" and could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Municipality has agreed to comply with all of those requirements. The opinions set forth in this paragraph are subject to the condition that the Municipality comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. Based on our review of the No Arbitrage Certificate executed by the Municipality with reference to the Bonds, the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code. The Bonds could become arbitrage bonds effective as of the date of their issuance if the Municipality or a person acting on behalf of the Municipality fails to comply with the arbitrage rebate requirements of the Code and the regulations thereunder.

Except as expressly set forth in paragraph 4 above regarding the priority of the Bonds with respect to other obligations of the Municipality under the Act, we express no opinion regarding the perfection or priority of the lien on Revenues or other funds created under the Resolution.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

A handwritten signature in blue ink, appearing to read "Charles R. Budy". The signature is stylized with a large, looping initial "C" and "B".

\$1,117,601  
City of Waukesha, Wisconsin  
Waterworks System Revenue Bonds, Series 2013

CLOSING CERTIFICATE

Jeff Scrima, the Mayor, and Gina L. Kozlik, the Acting City Clerk-Treasurer of the City of Waukesha, Waukesha County, Wisconsin (the "Municipality"), hereby certify as follows:

1. We are the duly qualified and acting Mayor and Acting City Clerk-Treasurer of the Municipality and have been such at all times pertinent to the authorization and delivery of the "Waterworks System Revenue Bonds, Series 2013" of the Municipality (the "Bonds").

2. We have executed and sealed the negotiable, fully-registered Bonds. The Bonds are in the aggregate principal amount of \$1,117,601, are dated May 22, 2013, and are numbered from 1 upward. The Bonds mature in installments of principal due on May 1 of each of the years 2014 through 2033, and bear interest at a rate of 1.925% per annum. We were duly authorized to execute the same.

3. Attached in the Closing Transcript is a true and complete copy of a resolution entitled: "Resolution Authorizing the Issuance and Sale of Up to \$1,117,601 Waterworks System Revenue Bonds, Series 2013, and Providing for Other Details and Covenants With Respect Thereto" (the "Bond Resolution"). The Bond Resolution was duly adopted by the Common Council of the Municipality (the "Governing Body") on May 7, 2013. The Bond Resolution has not been repealed, amended or modified in any respect and remains in full force and effect today.

4. Attached in the Closing Transcript is a true and complete copy of the Certificate of Compliance with Open Meeting Law Public Notice Requirements with respect to the May 7, 2013 meeting of the Governing Body of the Municipality, evidencing compliance with Subchapter V of Chapter 19, Wisconsin Statutes.

5. Attached in the Closing Transcript is a true and complete copy of the part of the minutes of the May 7, 2013 meeting of the Governing Body wherein the Governing Body adopted the Bond Resolution.

6. Attached in the Closing Transcript is a true and complete copy of a sworn affidavit from an authorized representative of the official newspaper of the Municipality, in which a notice has been published pursuant to Section 893.77, Wisconsin Statutes, regarding the adoption of the Bond Resolution.

7. Attached in the Closing Transcript is a Specimen Bond. The signatures of Jeff Scrima, the Mayor, and Gina L. Kozlik, the Acting City Clerk of the Municipality, are their respective true signatures, and the seal of the Municipality appearing on the Bonds is an accurate impression or facsimile of the seal of the Municipality.

8. Attached in the Closing Transcript is a true and complete copy of the Financial Assistance Agreement relating to the Bonds; said Financial Assistance Agreement has not been amended or modified in any respect and remains in full force and effect today.

9. The Municipality is a duly organized and existing municipal corporation of the State of Wisconsin.

10. There are no rules or resolutions in effect which require any officer or official of the Municipality, other than the Mayor and the City Clerk of the Municipality, to execute bonds of the Municipality.

11. Each meeting of the Governing Body or any committee of the Municipality at which the Bond Resolution was taken up was held at the place and time and called and notified in the manner routinely established by the Governing Body or such committee and proceeded in accordance with a written agenda; was notified to the public and news media and conducted in full compliance with the "open meeting" laws of the State of Wisconsin, and particularly Subchapter V, Chapter 19, Wisconsin Statutes; was held in a public, accessible place in the Municipality, with doors open at all times to the public; and no secret ballot was taken thereat; and no such meeting was commenced, subsequently convened in closed session and thereafter reconvened in open session, unless public notice of such subsequent open session was given at the same time and in the same manner as the public notice of the meeting convened prior to the closed session. All such meetings were fully lawful and in all respects in accordance with the rules of the Municipality. Each such meeting was a regular meeting or duly-called special meeting, held at the place in the Municipality, on the date and at the time and notified in the manner routinely established by rule of the Governing Body.

12. The meeting of the Governing Body was held on May 7, 2013, at which a quorum was present in person throughout. The Governing Body consists of 15 Alderpersons. At such meeting, the Bond Resolution was introduced by one of the Governing Body members in accordance with routinely established procedures of the Governing Body (all Governing Body members having full copies thereof in advance and adequate time to read and examine prior to adoption, and no member objecting); and, on motion duly made and seconded, duly adopted by the unanimous affirmative vote of the members present, upon an aye or no vote duly recorded in the Governing Body minutes.

13. The Acting City Clerk-Treasurer of the Municipality has recorded a full and correct statement of every step or proceeding had or taken in the course of authorizing and issuing the Bonds in a separate record book as required by law. This record has been available for public inspection during normal business hours at the City Clerk-Treasurer's office in the Municipality and no person was denied the right to inspect or duplicate it.

14. We have reviewed the No Arbitrage Certificate, the Bond Resolution and the Form 8038-G, all appearing in the Closing Transcript, and to the best of our information and belief, all of the statements made in each respective document are true and correct.

15. No litigation is pending or, to our knowledge, threatened (i) to restrain or enjoin the issuance or delivery of any of the Bonds, or (ii) in any way contesting or affecting the validity of the Bonds or the Bond Resolution.

16. There is no litigation pending or, to our knowledge, threatened against the Municipality or involving any of the property or assets under the control of the Municipality that involves the possibility of any judgment or uninsured liability which may result in any material adverse change in the business, properties, assets or in the condition, financial or otherwise, of the Municipality or the Waterworks System.

17. Neither the corporate existence nor boundaries of the Municipality nor the title of its present or former officers to their respective offices is being contested, and no authority or proceedings for the issuance of the Bonds have been repealed, revoked or rescinded. No petition has been filed requesting that the Bonds not be issued.

18. Based on our inquiry, information and belief, no part of the funds of the Municipality or the Waterworks System derived from the issuance and sale of the Bonds shall inure to the benefit of or be distributable to any official of the Waterworks System or of the Municipality, except for the lawful payment or compensation for services rendered and its lawful reimbursement of expenses incurred, and no loans shall be made, and no property or services shall be purchased or sold, leased or otherwise disposed of, to any such official as a result of the use of such funds by the Municipality or by the Waterworks System.

19. Based on our inquiry, information and belief, no official of the Waterworks System or of the Municipality has any private interest, direct or indirect, in any of the proceedings relating to the authorization, issuance and sale of the Bonds.

20. The Municipality is able to pay all of its current operating expenses in the usual course as they come due without need for special or exceptional tax levies.

21. The Bonds are payable only from and secured by a pledge of the income and revenues to be derived from the operation of the Waterworks System of the Municipality; and do not constitute an indebtedness of the Municipality within any constitutional or statutory limitation.

22. There are no obligations outstanding payable from a pledge of the income and revenues of the Waterworks System of the Municipality, other than the Municipality's Waterworks System Revenue Bonds, Series 2006, dated April 15, 2006, Waterworks System Revenue Bonds, Series 2008, dated April 22, 2008, and the Bonds.

23. The Municipality is not in default on any borrowed money obligation.



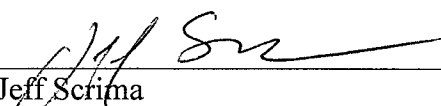
24. The Municipality has received a disbursement of Bond proceeds from the State on the date of this Certificate, representing the purchase price of the Bonds as provided in the Bond Resolution.

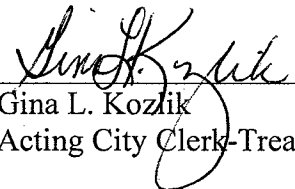
IN WITNESS WHEREOF, we have hereunto set our hands and affixed the official seal of the Municipality as of May 22, 2013.

CITY OF WAUKESHA, WISCONSIN

(SEAL)



By:   
Jeff Scrima  
Mayor

By:   
Gina L. Kozlik  
Acting City Clerk-Treasurer

**CERTIFICATE OF COMPLIANCE WITH  
OPEN MEETING LAW PUBLIC NOTICE REQUIREMENTS**

I, Gina Kozlik, City Clerk Treasurer  
(name) (title)  
of City of Waukesha hereby certify that:

1. **Meeting Date.** On the 7th day of May, 2013 a  
Common Council meeting was held commencing  
(County Board, Common Council, etc.)  
at 7:30 o'clock p.m. at 201 Delafield Street.  
(location)
2. **Posting.** On the 3rd day of May, 2013 at approximately 3:00 o'clock p.m., I  
posted or caused to be posted a notice setting forth the time, date, place and subject matter  
(including specific reference to the borrowing) of said meeting in the following public places  
(attach an extra sheet if necessary):

City Hall & City Website

Copies to media: Waukesha Freeman, Journal Sentinel, Waukesha Patch  
AND/OR

**Publication.** The \_\_\_\_\_  
(County, City, etc.)  
caused a notice setting forth the time, date, place and subject matter (including specific reference  
to the borrowing) of said meeting to be published on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_  
by the following news medium or media (attach an extra sheet if necessary):

\_\_\_\_\_  
\_\_\_\_\_  
(If notice was published rather than posted, attach copy  
of published notice).

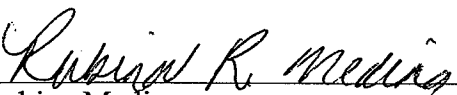


3. **Notification of Media.** On the 3<sup>rd</sup> day of May, 2013 at approximately 3:00 o'clock p.m., I communicated or caused to be communicated, the time, date, place and subject matter (including specific reference to the borrowing) of said meeting to those news media who have filed a written request for such notice, and to the official newspaper of the \_\_\_\_\_ City \_\_\_\_\_, or, if none exists, to a news medium (County, City, etc.) likely to give notice in the area.

4. **Open Meeting Law Compliance.** Said meeting was a \_\_\_\_\_ regular \_\_\_\_\_ meeting of the (regular, special, adjourned annual, etc.) \_\_\_\_\_ Common Council \_\_\_\_\_ which was called, noticed, held and (County Board, Common Council, etc.) conducted in open session in compliance with Subchapter V of Chapter 19 of the Wisconsin Statutes and any other applicable local rules and State statutes.

  
Gina Kozlik  
Clerk Treasurer

Attest:

  
Rubina Medina  
Clerk Typist III



(Note: Questions regarding this form or open meeting law compliance generally should be directed to local counsel or Quarles & Brady LLP.)

Excerpts of Minutes of Meeting  
of the  
Common Council of the  
City of Waukesha

A meeting of the Common Council of the City of Waukesha, Waukesha County, Wisconsin, was duly called, noticed, held and conducted in the manner required by the Common Council and the pertinent Wisconsin Statutes on May 7, 2013. The Mayor called the meeting to order at 7:30 p.m.

The following members were present:

Ald. E. Payne, Ald. Hernandez, Ald. Pieper, Ald. Ybarra, Ald. Jankowski, Ald. Kalblinger, Ald. Skinner, Ald. Cummings, Ald. Johnson, Ald. Patton, Ald. Perry, Ald. Reiland, Ald. Francoeur, Ald. C. Payne, Ald. Thieme

The following members were absent: None

(Here occurred business not pertinent to the financing.)

The following resolution was then moved by Ald. Pieper and seconded by Ald. Reiland:

RESOLUTION NO. 42-13

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$1,117,601  
WATERWORKS SYSTEM REVENUE BONDS, SERIES 2013, AND PROVIDING FOR  
OTHER DETAILS AND COVENANTS WITH RESPECT THERETO

(A true copy of the resolution as adopted is attached hereto and incorporated herein by reference.)

Upon the vote being taken, the following voted

Aye: Ald. E. Payne, Ald. Hernandez, Ald. Pieper, Ald. Ybarra,  
Ald. Jankowski, Ald. Kalblinger, Ald. Skinner, Ald. Cummings,  
Ald. Johnson, Ald. Patton, Ald. Perry, Ald. Reiland, Ald. Francoeur,  
Ald. C. Payne, Ald. Thieme

Nay: None

Abstaining: None

and the resolution was declared adopted.

(Here occurred business not pertinent to the financing.)

Upon motion made and seconded, the Common Council adjourned.

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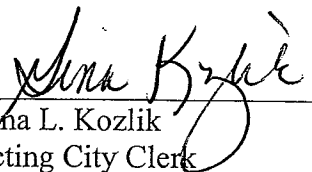
#### Certification of Minutes Excerpt

I, Gina L. Kozlik, am the duly qualified and acting Acting City Clerk of the City of Waukesha, Waukesha County, Wisconsin.

I hereby certify that the foregoing is a true and correct excerpt of the official minutes of the Common Council meeting of May 7, 2013 with respect to Common Council action to authorize the issuance and sale of \$1,117,601 Waterworks System Revenue Bonds, Series 2013.

I further certify that the attached is a true and correct copy of the resolution adopted by the Common Council at such meeting.

IN WITNESS WHEREOF, I have executed this Certificate in my official capacity on May 7, 2013.

  
\_\_\_\_\_  
Gina L. Kozlik  
Acting City Clerk



RESOLUTION NO. 42-13

RESOLUTION AUTHORIZING THE ISSUANCE AND  
SALE OF UP TO \$1,117,601 WATERWORKS SYSTEM REVENUE BONDS, SERIES 2013,  
AND PROVIDING FOR OTHER DETAILS AND  
COVENANTS WITH RESPECT THERETO

WHEREAS, the City of Waukesha, Waukesha County, Wisconsin (the "Municipality") owns and operates a waterworks system (the "System") which is operated for a public purpose as a public utility by the Municipality; and

WHEREAS, pursuant to a resolution adopted on April 6, 2006 (the "2006 Resolution"), the Municipality issued its Waterworks System Revenue Bonds, Series 2006, dated April 15, 2006 (the "2006 Bonds"), which are payable from the income and revenues of the System; and

WHEREAS, pursuant to a resolution adopted on April 3, 2008 (the "2008 Resolution"), the Municipality issued its Waterworks System Revenue Bonds, Series 2008, dated April 22, 2008 (the "2008 Bonds"), which are payable from the income and revenues of the System; and

WHEREAS, the 2006 Bonds and the 2008 Bonds shall be referred to herein collectively as the "Senior Bonds"; and

WHEREAS, the 2006 Resolution and the 2008 Resolution shall be referred to herein collectively as the "Senior Resolutions"; and

WHEREAS, certain improvements to the System are necessary to meet the needs of the Municipality and the residents thereof, consisting of the construction of a project (the "Project") assigned Safe Drinking Water Loan Program Project No. 4928-04 by the Department of Natural Resources, and as described in the Department of Natural Resources approval letter for the plans and specifications of the Project, or portions thereof, issued under Section 281.41, Wisconsin Statutes, assigned No. W-2010-0529 and dated August 23, 2010 by the DNR; and

WHEREAS, under the provisions of Chapter 66, Wisconsin Statutes any municipality may, by action of its governing body, provide for purchasing, acquiring, constructing, extending, adding to, improving, operating and managing a public utility from the proceeds of bonds, which bonds are to be payable only from the revenues received from any source by such utility, including all rentals and fees; and

WHEREAS, the Municipality deems it to be necessary, desirable and in its best interest to authorize and sell waterworks system revenue bonds of the Municipality payable solely from the revenues of the System, pursuant to the provisions of Section 66.0621, Wisconsin Statutes, to pay the cost of the Project; and

WHEREAS, other than the Senior Bonds, no bonds or obligations payable from the revenues of the System are now outstanding.

NOW, THEREFORE, be it resolved by the Governing Body of the Municipality that:

Section 1. Definitions. The following terms shall have the following meanings in this Resolution unless the text expressly or by implication requires otherwise:

- (a) "Act" means Section 66.0621, Wisconsin Statutes;
- (b) "Bond Registrar" means the Municipal Treasurer which shall act as Paying Agent for the Bonds;
- (c) "Bonds" means the \$1,117,601 Waterworks System Revenue Bonds, Series 2013, of the Municipality dated their date of issuance, authorized to be issued by this Resolution;
- (d) "Bond Year" means the twelve-month period ending on each May 1;
- (e) "Current Expenses" means the reasonable and necessary costs of operating, maintaining, administering and repairing the System, including salaries, wages, costs of materials and supplies, insurance, audits and maintenance of a replacement fund, but shall exclude depreciation, debt service, tax equivalents and capital expenditures;
- (f) "Debt Service Fund" means the Waterworks Revenue Bond and Interest Special Redemption Fund of the Municipality, which was created by an ordinance adopted September 22, 1953, and which shall be the "special redemption fund" as such term is defined in the Act;
- (g) "Financial Assistance Agreement" means the Financial Assistance Agreement by and between the State of Wisconsin by the Department of Natural Resources and the Department of Administration and the Municipality pursuant to which the Bonds are to be issued and sold to the State, substantially in the form attached hereto and incorporated herein by this reference;
- (h) "Fiscal Year" means the twelve-month period ending on each December 31;
- (i) "Governing Body" means the Common Council, or such other body as may hereafter be the chief legislative body of the Municipality;
- (j) "Gross Earnings" means the gross earnings of the System, including earnings of the System derived from waterworks charges imposed by the Municipality, all payments to the Municipality under any service agreements between the Municipality and any contract users of the System, and any other monies received from any source including all rentals and fees and any special assessments levied and collected in connection with the Project;
- (k) "Municipal Treasurer" means the Treasurer of the Municipality who shall act as Bond Registrar and Paying Agent;
- (l) "Municipality" means the City of Waukesha, Waukesha County, Wisconsin;
- (m) "Net Revenues" means the Gross Earnings of the System after deduction of Current Expenses;

(n) "Parity Bonds" means bonds payable from the revenues of the System other than the Bonds but issued on a parity and equality with the Bonds pursuant to the restrictive provisions of Section 11 of this Resolution;

(o) "Project" means the Project described in the preamble to this Resolution. All elements of the Project are to be owned and operated by the Municipality as part of the System as described in the preamble hereto;

(p) "Record Date" means the close of business on the fifteenth day of the calendar month next preceding any principal or interest payment date;

(q) "Senior Bonds" means the 2006 Bonds and the 2008 Bonds, collectively;

(r) "Senior Resolutions" means the 2006 Resolution and the 2008 Resolution, collectively;

(s) "System" means the entire waterworks system of the Municipality specifically including that portion of the Project owned by the Municipality and including all property of every nature now or hereafter owned by the Municipality for the extraction, collection, treatment, storage and distribution of water, including all improvements and extensions thereto made by the Municipality while any of the Bonds and Parity Bonds remain outstanding, including all real and personal property of every nature comprising part of or used or useful in connection with such waterworks system and including all appurtenances, contracts, leases, franchises, and other intangibles;

(t) "2006 Bonds" means the Municipality's Waterworks System Revenue Bonds, Series 2006, dated April 15, 2006;

(u) "2006 Resolution" means a resolution adopted by the Governing Body on April 6, 2006 authorizing the issuance of the 2006 Bonds;

(v) "2008 Bonds" means the Municipality's Waterworks System Revenue Bonds, Series 2008, dated April 22, 2008; and

(w) "2008 Resolution" means a resolution adopted by the Governing Body on April 3, 2008 authorizing the issuance of the 2008 Bonds.

Section 2. Authorization of the Bonds and the Financial Assistance Agreement. For the purpose of paying the cost of the Project (including legal, fiscal, engineering and other expenses), there shall be borrowed on the credit of the income and revenue of the System up to the sum of \$1,117,601; and fully registered revenue bonds of the Municipality are authorized to be issued in evidence thereof and sold to the State of Wisconsin Safe Drinking Water Loan Program in accordance with the terms and conditions of the Financial Assistance Agreement, which is incorporated herein by this reference and the Mayor and City Clerk of the Municipality are hereby authorized, by and on behalf of the Municipality, to execute the Financial Assistance Agreement.

Section 3. Terms of the Bonds. The Bonds shall be designated "Waterworks System Revenue Bonds, Series 2013" (the "Bonds"); shall be dated their date of issuance; shall be numbered one and upward; shall bear interest at the rate of 1.925% per annum; shall be issued in denominations of \$0.01 or any integral multiple thereof; and shall mature on the dates and in the amounts as set forth in Exhibit B of the Financial Assistance Agreement and in the Bond form attached hereto as Exhibit A as it is from time to time adjusted by the State of Wisconsin based upon the actual draws made by the Municipality. Interest on the Bonds shall be payable commencing on November 1, 2013 and semiannually thereafter on May 1 and November 1 of each year. The Bonds shall not be subject to redemption prior to maturity except as provided in the Financial Assistance Agreement.

The schedule of maturities of the Bonds is found to be such that the amount of annual debt service payments is reasonable in accordance with prudent municipal utility practices.

Section 4. Form, Execution, Registration and Payment of the Bonds. The Bonds shall be issued as registered obligations in substantially the form attached hereto as Exhibit A and incorporated herein by this reference.

The Bonds shall be executed in the name of the Municipality by the manual signatures of the Mayor and City Clerk, and shall be sealed with its official or corporate seal, if any.

The principal of, premium, if any, and interest on the Bonds shall be paid by the Municipal Treasurer, who is hereby appointed as the Municipality's Bond Registrar.

Both the principal of and interest on the Bonds shall be payable in lawful money of the United States of America by the Bond Registrar. Payment of principal of the final maturity on the Bond will be payable upon presentation and surrender of the Bond to the Bond Registrar. Payment of principal on the Bond (except the final maturity) and each installment of interest shall be made to the registered owner of each Bond who shall appear on the registration books of the Municipality, maintained by the Bond Registrar, on the Record Date and shall be paid by check or draft of the Municipality and mailed to such registered owner at his or its address as it appears on such registration books or at such other address may be furnished in writing by such registered owner to the Bond Registrar.

Section 5. Security for the Bonds. The Bonds, together with interest thereon, shall not constitute an indebtedness of the Municipality nor a charge against its general credit or taxing power. The Bonds, together with interest thereon, shall be payable only out of the Debt Service Fund hereinafter created and established, and shall be a valid claim of the registered owner or owners thereof only against such Debt Service Fund and the revenues of the System pledged to such fund, junior and subordinate to the pledge granted to the holders of the Senior Bonds. Sufficient revenues are hereby pledged to said Debt Service Fund, and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Senior Bonds, the Bonds and any Parity Bonds as the same becomes due.

Section 6. Funds and Accounts. In accordance with the Act, for the purpose of the application and proper allocation of the revenues of the System, and to secure the payment of the principal of and interest on the Senior Bonds, the Bonds and Parity Bonds, the entire Gross



Earnings of the System shall be deposited in the Revenue Fund, which money shall then be divided in the amounts and in the manner set forth in Section 7 among the following funds of the System which were created and established by an ordinance adopted September 22, 1953 and are hereby continued and shall be used solely for the following respective purposes:

- (a) Operation and Maintenance Fund, which shall be used for the payment of Current Expenses.
- (b) Debt Service Fund, which shall be used for the payment of the principal of, premium, if any, and interest on, first, the Senior Bonds and, second, the Bonds and Parity Bonds as the same becomes due. Within the Debt Service Fund, the following accounts have been established: (a) the Interest and Principal Account which shall be used solely for the payment of the principal of, premium, if any, and interest on the Senior Bonds, the Bonds and Parity Bonds as the same becomes due, and (b) a Reserve Account which shall secure the payment of principal of and interest on the Senior Bonds, and is not pledged to the payment of principal of or interest on the Bonds, and moneys in the Reserve Account shall under no circumstances be used to pay principal of or interest on the Bonds.
- (c) Depreciation Fund, which shall be used to provide a proper and adequate depreciation account for the System.
- (d) Surplus Fund, which shall first be used whenever necessary to pay principal of, premium, if any, or interest on the Senior Bonds, the Bonds and Parity Bonds when the Debt Service Fund shall be insufficient for such purpose, and thereafter shall be disbursed as follows: (i) at any time, to remedy any deficiency in any of the Funds provided in this Section 6 hereof; and (ii) money thereafter remaining in the Surplus Fund at the end of any Fiscal Year may be transferred to any of the funds or accounts created herein or to reimburse the general fund of the Municipality for advances made by the Municipality to the System.

Section 7. Application of Revenues. After the delivery of the Bonds, the Gross Earnings of the System shall be deposited as collected in the Revenue Fund and shall be transferred monthly to the funds listed below in the following order of priority and in the manner set forth below:

- (a) to the Operation and Maintenance Fund, in an amount equal to the estimated Current Expenses for such month and for the following month (after giving effect to available amounts in said Fund from prior deposits);
- (b) to the Debt Service Fund, for deposit into the Principal and Interest Account, an amount equal to one-sixth ( $1/6$ ) of the next installment of interest coming due on the Senior Bonds, the Bonds and any Parity Bonds then outstanding and an amount equal to one-twelfth ( $1/12$ ) of the installment of principal of the Senior Bonds, the Bonds and any Parity Bonds coming due during such Bond Year (after giving effect to available amounts in said Account from accrued interest, any

premium or any other source), and for deposit into the Reserve Account, any amount required by the Senior Resolutions; and

- (c) to the Depreciation Fund, an amount determined by the Governing Body to be sufficient to provide a proper and adequate depreciation account for the System; and
- (d) to the Surplus Fund, any amount remaining in the Revenue Fund after the monthly transfers required above have been completed.

Transfers from the Revenue Fund to the Operation and Maintenance Fund, the Debt Service Fund, the Depreciation Fund and the Surplus Fund shall be made monthly not later than the twentieth day of each month, and such transfer shall be applicable to monies on deposit in the Revenue Fund as of the last day of the month preceding. Any other transfers and deposits to any fund required or permitted by subsection (a) through (d) of this Section, except transfers or deposits which are required to be made immediately or annually, shall be made on or before the tenth day of the month. Any transfer or deposit required to be made at the end of any Fiscal Year shall be made within sixty (60) days after the close of such Fiscal Year. If the tenth day of any month shall fall on a day other than a business day, such transfer or deposit shall be made on the next succeeding business day.

It is the express intent and determination of the Governing Body that the amounts transferred from the Revenue Fund and deposited in the Debt Service Fund shall be sufficient in any event to pay the interest on the Senior Bonds, the Bonds and any Parity Bonds as the same accrues and the principal thereof as the same matures.

Section 8. Deposits and Investments. The Debt Service Fund shall be kept apart from monies in the other funds and accounts of the Municipality and the same shall be used for no purpose other than the prompt payment of principal of and interest on, first, the Senior Bonds and, next, the Bonds and any Parity Bonds as the same becomes due and payable. All monies therein shall be deposited in special and segregated accounts in a public depository selected under Chapter 34, Wisconsin Statutes and may be temporarily invested until needed in legal investments subject to the provisions of Section 66.0603(1m), Wisconsin Statutes. The other funds herein created (except the Waterworks System SDWLP Project Fund) may be combined in a single account in a public depository selected in the manner set forth above and may be temporarily invested until needed in legal investments subject to the provisions of Section 66.0603(1m), Wisconsin Statutes.

Section 9. Service to the Municipality. The reasonable cost and value of services rendered to the Municipality by the System by furnishing waterworks services for public purposes shall be charged against the Municipality and shall be paid in monthly installments as the service accrues, out of the current revenues of the Municipality collected or in the process of collection, exclusive of the revenues derived from the System; that is to say, out of the tax levy of the Municipality made by it to raise money to meet its necessary current expenses. The reasonable cost and value of such service to the Municipality in each year shall be equal to an amount which, together with other revenues of the System, will produce in each Fiscal Year Net Revenues equivalent to not less than the annual principal and interest requirements on the Senior

Bonds, the Bonds, any Parity Bonds and any other obligations payable from the revenues of the System then outstanding, times the greater of (i) 110% or (ii) the highest debt service coverage ratio required with respect to any obligations payable from revenues of the System then outstanding. However, such payment out of the tax levy shall be subject to (a) approval of the Public Service Commission, or successors to its function, if applicable, (b) yearly appropriations therefor, and (c) applicable levy limitations, if any; and neither this Resolution nor such payment shall be construed as constituting an obligation of the Municipality to make any such appropriation over and above the reasonable cost and value of the services rendered to the Municipality and its inhabitants or to make any subsequent payment over and above such reasonable cost and value.

Section 10. Operation of System; Municipality Covenants. It is covenanted and agreed by the Municipality with the owner or owners of the Bonds, and each of them, that the Municipality will perform all of the obligations of the Municipality as set forth in the Financial Assistance Agreement.

Section 11. Additional Bonds. The Bonds are issued on a basis junior and subordinate to the Senior Bonds as to the pledge of revenues of the System. No bonds or obligations payable out of the revenues of the System may be issued in such manner as to enjoy priority over the Bonds. Additional obligations may be issued if the lien and pledge is junior and subordinate to that of the Bonds. Parity Bonds may be issued only under the following circumstances:

(a) Additional Parity Bonds may be issued for the purpose of completing the Project and for the purpose of financing costs of the Project which are ineligible for payment under the State of Wisconsin Safe Drinking Water Loan Program. However, such additional Parity Bonds shall be in an aggregate amount not to exceed 20% of the face amount of the Bonds; or

(b) Additional Parity Bonds may also be issued if all of the following conditions are met:

(1) The Net Revenues of the System for the Fiscal Year immediately preceding the issuance of such additional bonds must have been in an amount at least equal to the maximum annual interest and principal requirements on all bonds outstanding payable from the revenues of the System, and on the bonds then to be issued, times the greater of (i) 1.10 or (ii) the highest debt service coverage ratio to be required with respect to the Additional Parity Bonds to be issued or any other obligations payable from the revenues of the System then outstanding. Should an increase in permanent rates and charges, including those made to the Municipality, be properly ordered and made effective during the Fiscal Year immediately prior to the issuance of such additional bonds or during that part of the Fiscal Year of issuance prior to such issuance, then Net Revenues for purposes of such computation shall include such additional revenues as an independent certified public accountant, consulting professional engineer or the Wisconsin Public Service Commission may certify would have accrued during the prior Fiscal Year had the new rates been in effect during that entire immediately prior Fiscal Year.

(2) The payments required to be made into the funds enumerated in Section 6 of this Resolution must have been made in full.

(3) The additional bonds must have principal maturing on May 1 of each year and interest falling due on May 1 and November 1 of each year.

(4) The proceeds of the additional bonds must be used only for the purpose of providing extensions or improvements to the System, or to refund obligations issued for such purpose.

Section 12. Sale of Bonds. The sale of the Bonds to the State of Wisconsin Safe Drinking Water Loan Program for the purchase price of up to \$1,117,601 and at par, is ratified and confirmed; and the officers of the Municipality are authorized and directed to do any and all acts, including executing the Financial Assistance Agreement and the Bonds as hereinabove provided, necessary to conclude delivery of the Bonds to said purchaser, as soon after adoption of this Resolution as is convenient. The purchase price for the Bonds shall be paid upon requisition therefor as provided in the Financial Assistance Agreement, and the officers of the Municipality are authorized to prepare and submit to the State requisitions and disbursement requests in anticipation of the execution of the Financial Assistance Agreement and the issuance of the Bonds.

Section 13. Application of Bond Proceeds. The proceeds of the sale of the Bonds shall be deposited by the Municipality into a special fund designated as "Waterworks System SDWLP Project Fund." The Waterworks System SDWLP Project Fund shall be used solely for the purpose of paying the costs of the Project as more fully described in the preamble hereof and in the Financial Assistance Agreement. Moneys in the Waterworks System SDWLP Project Fund shall be disbursed within three (3) business days of their receipt from the State of Wisconsin and shall not be invested in any interest-bearing account.

Section 14. Amendment to Resolution. After the issuance of any of the Bonds, no change or alteration of any kind in the provisions of this Resolution may be made until all of the Bonds have been paid in full as to both principal and interest, or discharged as herein provided, except: (a) the Municipality may, from time to time, amend this Resolution without the consent of any of the owners of the Bonds, but only to cure any ambiguity, administrative conflict, formal defect, or omission or procedural inconsistency of this Resolution; and (b) this Resolution may be amended, in any respect, with a written consent of the owners of not less than two-thirds (2/3) of the principal amount of the Bonds then outstanding, exclusive of Bonds held by the Municipality; provided, however, that no amendment shall permit any change in the pledge of revenues derived from the System or the maturity of any Bond issued hereunder, or a reduction in the rate of interest on any Bond, or in the amount of the principal obligation thereof, or in the amount of the redemption premium payable in the case of redemption thereof, or change the terms upon which the Bonds may be redeemed or make any other modification in the terms of the payment of such principal or interest without the written consent of the owner of each such Bond to which the change is applicable.

Section 15. Defeasance. When all Bonds have been discharged, all pledges, covenants and other rights granted to the owners thereof by this Resolution shall cease. The Municipality

may discharge all Bonds due on any date by irrevocably depositing in escrow with a suitable bank or trust company a sum of cash and/or bonds or securities issued or guaranteed as to principal and interest of the U.S. Government, or of a commission, board or other instrumentality of the U.S. Government, maturing on the dates and bearing interest at the rates required to provide funds sufficient to pay when due the interest to accrue on each of said Bonds to its maturity or, at the Municipality's option, if said Bond is prepayable to any prior date upon which it may be called for redemption, and to pay and redeem the principal amount of each such Bond at maturity, or at the Municipality's option, if said Bond is prepayable, at its earliest redemption date, with the premium required for such redemption, if any, provided that notice of the redemption of all prepayable Bonds on such date has been duly given or provided for.

Section 16. Rebate Fund. Unless the Bonds are exempt from the rebate requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the Municipality shall establish and maintain, so long as the Bonds and any Parity Bonds are outstanding, a separate account to be known as the "Rebate Fund." The sole purpose of the Rebate Fund is to provide for the payment of any rebate liability with respect to the Bonds under the relevant provisions of the Code and the Treasury Regulations promulgated thereunder (the "Regulations"). The Rebate Fund shall be maintained by the Municipality until all required rebate payments with respect to the Bonds have been made in accordance with the relevant provisions of the Code and the Regulations.

The Municipality hereby covenants and agrees that it shall pay to the United States from the Rebate Fund, at the times and in the amounts and manner required by the Code and the Regulations, the portion of the "rebate amount" (as defined in Section 1.148-3(b) of the Regulations) that is due as of each "computation date" (within the meaning of Section 1.148-3(e) of the Regulations). As of the date of this Resolution, the provisions of the Regulations specifying the required amounts of rebate installment payments and the time and manner of such payments are contained in Sections 1.148-3(f) and (g) of the Regulations, respectively. Amounts held in the Rebate Fund and the investment income therefrom are not pledged as security for the Bonds or any Parity Bonds and may only be used for the payment of any rebate liability with respect to the Bonds.

The Municipality may engage the services of accountants, attorneys or other consultants necessary to assist it in determining the rebate payments, if any, owed to the United States with respect to the Bonds. The Municipality shall maintain or cause to be maintained records of determinations of rebate liability with respect to the Bonds for each computation date until six (6) years after the retirement of the last of the Bonds. The Municipality shall make such records available to the State of Wisconsin upon reasonable request therefor.

Section 17. Resolution a Contract. The provisions of this Resolution shall constitute a contract between the Municipality and the owner or owners of the Bonds, and after issuance of any of the Bonds no change or alteration of any kind in the provisions of this Resolution may be made, except as provided in Section 14, until all of the Bonds have been paid in full as to both principal and interest. The owner or owners of any of the Bonds shall have the right in addition to all other rights, by mandamus or other suit or action in any court of competent jurisdiction, to enforce such owner's or owners' rights against the Municipality, the Governing Body thereof, and any and all officers and agents thereof including, but without limitation, the right to require the

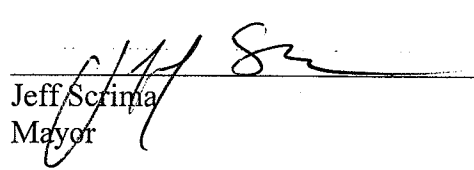
Municipality, its Governing Body and any other authorized body, to fix and collect rates and charges fully adequate to carry out all of the provisions and agreements contained in this Resolution.

Section 18. Continuing Disclosure. The officers of the Municipality are hereby authorized and directed, if requested by the State of Wisconsin, to provide to the State of Wisconsin Safe Drinking Water Loan Program and to such other persons or entities as directed by the State of Wisconsin such ongoing disclosure regarding the Municipality's financial condition and other matters, at such times and in such manner as the Safe Drinking Water Loan Program may require, in order that securities issued by the Municipality and the State of Wisconsin satisfy rules and regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended and as it may be amended from time to time, imposed on brokers and dealers of municipal securities before the brokers and dealers may buy, sell, or recommend the purchase of such securities.

Section 19. Conflicting Resolutions. All ordinances, resolutions (other than the Senior Resolutions), or orders, or parts thereof heretofore enacted, adopted or entered, in conflict with the provisions of this Resolution, are hereby repealed and this Resolution shall be in effect from and after its passage. In case of any conflict between this Resolution and the Senior Resolutions, the Senior Resolutions shall control as long as any of the respective Senior Bonds are outstanding.

Passed: May 7, 2013

Approved: May 7, 2013

  
Jeff Scrima  
Mayor

Attest:

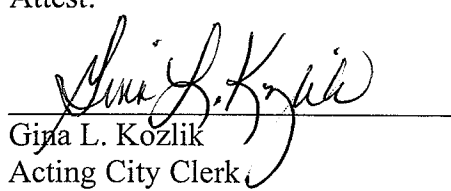
  
Gina L. Kozlik  
Acting City Clerk

EXHIBIT A

(Form of Municipal Obligation)

REGISTERED  
NO. \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF WISCONSIN  
WAUKESHA COUNTY  
CITY OF WAUKESHA

REGISTERED  
\$ \_\_\_\_\_

WATERWORKS SYSTEM REVENUE BOND, SERIES 2013

Final  
Maturity Date

Date of  
Original Issue

May 1, 2033

\_\_\_\_\_, 20\_\_

REGISTERED OWNER: STATE OF WISCONSIN SAFE DRINKING WATER LOAN  
PROGRAM

FOR VALUE RECEIVED the City of Waukesha, Waukesha County, Wisconsin (the "Municipality") hereby acknowledges itself to owe and promises to pay to the registered owner shown above, or registered assigns, solely from the fund hereinafter specified, the principal sum of an amount not to exceed \_\_\_\_\_ DOLLARS (\$\_\_\_\_\_) (but only so much as shall have been drawn hereunder, as provided below) on May 1 of each year commencing May 1, 2014 until the final maturity date written above, together with interest thereon (but only on amounts as shall have been drawn hereunder, as provided below) from the dates the amounts are drawn hereunder or the most recent payment date to which interest has been paid, at the rate of 1.925% per annum, calculated on the basis of a 360-day year made up of twelve 30-day months, such interest being payable on the first days of May and November of each year, with the first interest being payable on November 1, 2013.

The principal amount evidenced by this Bond may be drawn upon by the Municipality in accordance with the Financial Assistance Agreement entered by and between the Municipality and the State of Wisconsin by the Department of Natural Resources and the Department of Administration including capitalized interest transferred (if any). The principal amounts so drawn shall be repaid in installments on May 1 of each year commencing on May 1, 2014 in an amount equal to an amount which when amortized over the remaining term of this Bond plus current payments of interest (but only on amounts drawn hereunder) at One and 925/1000ths percent (1.925%) per annum shall result in equal annual payments of the total of principal and the semiannual payments of interest. The State of Wisconsin Department of Administration shall record such draws and corresponding principal repayment schedule on a cumulative basis in the format shown on the attached Schedule A.



Both principal and interest hereon are hereby made payable to the registered owner in lawful money of the United States of America. On the final maturity date, principal of this Bond shall be payable only upon presentation and surrender of this Bond at the office of the Municipal Treasurer. Principal hereof (except the final maturity) and interest hereon shall be payable by electronic transfer or by check or draft dated on or before the applicable payment date and mailed from the office of the Municipal Treasurer to the person in whose name this Bond is registered at the close of business on the fifteenth day of the calendar month next preceding such interest payment date.

The Bonds shall not be redeemable prior to their maturity, except with the consent of the registered owner.

This Bond is transferable only upon the books of the Municipality kept for that purpose at the office of the Municipal Treasurer, by the registered owner in person or its duly authorized attorney, upon surrender of this Bond, together with a written instrument of transfer (which may be endorsed hereon) satisfactory to the Municipal Treasurer, duly executed by the registered owner or its duly authorized attorney. Thereupon a replacement Bond shall be issued to the transferee in exchange therefor. The Municipality may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or interest hereof and for all other purposes. This Bond is issuable solely as a negotiable, fully-registered bond, without coupons, and in denominations of \$0.01 or any integral multiple thereof.

This Bond is issued for the purpose of providing for the payment of the cost of constructing improvements to the Waterworks System of the Municipality, pursuant to Article XI, Section 3, of the Wisconsin Constitution, Section 66.0621, Wisconsin Statutes, and a resolution adopted May 7, 2013, and entitled: "Resolution Authorizing the Issuance and Sale of Up to \$1,117,601 Waterworks System Revenue Bonds, Series 2013, and Providing for Other Details and Covenants With Respect Thereto" and is payable only from the income and revenues derived from the operation of the Waterworks System of the Municipality (the "Utility"). The Bonds are issued on a basis junior and subordinate to the Municipality's Waterworks System Revenue Bonds, Series 2006, dated April 15, 2006 and Waterworks System Revenue Bonds, Series 2008, dated April 22, 2008, as to the pledge of income and revenues of the Utility. This Bond does not constitute an indebtedness of said Municipality within the meaning of any constitutional or statutory debt limitation or provision.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen, and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law; and that sufficient of the income and revenue to be received by said Municipality from the operation of its Utility has been pledged to and will be set aside into a special fund for the payment of the principal of and interest on this Bond.

IN WITNESS WHEREOF, the Municipality has caused this Bond to be signed by the signatures of its Mayor and City Clerk, and its corporate seal to be impressed hereon, all as of the date of original issue specified above.

CITY OF WAUKESHA,  
WISCONSIN

(SEAL)

By: \_\_\_\_\_  
Jeff Scrima  
Mayor

COPY

By: \_\_\_\_\_  
Gina L. Kozlik  
Acting City Clerk

(Form of Assignment)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Please print or typewrite name and address, including zip code, of Assignee)

Please insert Social Security or other identifying number of Assignee

\_\_\_\_\_

the within Bond and all rights thereunder, hereby irrevocably constituting and appointing

\_\_\_\_\_

Attorney to transfer said Bond on the books kept for the registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature of this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Signature(s) guaranteed by

\_\_\_\_\_

SCHEDULE A

\$1,117,601

CITY OF WAUKESHA, WISCONSIN  
WATERWORKS SYSTEM REVENUE BONDS, SERIES 2013

<u>Amount of Disburse- ment</u>	<u>Date of Disbursement</u>	<u>Series of Bonds</u>	<u>Principal Repaid</u>	<u>Principal Balance</u>

COPY

SCHEDULE A (continued)

PRINCIPAL REPAYMENT SCHEDULE

<u>Date</u>	<u>Principal Amount</u>
May 1, 2014	\$46,341.30
May 1, 2015	47,233.37
May 1, 2016	48,142.61
May 1, 2017	49,069.36
May 1, 2018	50,013.94
May 1, 2019	50,976.71
May 1, 2020	51,958.01
May 1, 2021	52,958.21
May 1, 2022	53,977.65
May 1, 2023	55,016.72
May 1, 2024	56,075.79
May 1, 2025	57,155.25
May 1, 2026	58,255.49
May 1, 2027	59,376.91
May 1, 2028	60,519.92
May 1, 2029	61,684.92
May 1, 2030	62,872.36
May 1, 2031	64,082.65
May 1, 2032	65,316.25
May 1, 2033	66,573.58

COPY

\$1,117,601  
City of Waukesha, Wisconsin  
Waterworks System Revenue Bonds, Series 2013

NO ARBITRAGE CERTIFICATE

The undersigned officers of the City of Waukesha, Waukesha County, Wisconsin (the "Municipality") hereby certify as follows with regard to the Municipality's issuance of up to \$1,117,601 Waterworks System Revenue Bonds, Series 2013, dated May 22, 2013 (the "Bonds").

I. IN GENERAL

1.1 Authority. The undersigned are officers of the Municipality charged by law and a resolution adopted by the Common Council of the Municipality on May 7, 2013 authorizing the issuance of the Bonds (the "Bond Resolution") with responsibility for issuing the Bonds and are acting for and on behalf of the Municipality in executing this Certificate.

1.2 Nature of Certificate. This Certificate accompanies the transcript of proceedings for the issuance of the Bonds and describes the Municipality's reasonable expectations as of this date, regarding the amount and use of the proceeds of the Bonds (the "Bond Proceeds").

1.3 Date of Certificate. This Certificate is made as of the date of issue, that is, the date on which there is a physical delivery of some or all of the Bonds in exchange for an amount of the purchase price for the Bonds exceeding the lesser of \$50,000 or five percent of the issue price of the Bonds.

II. PURPOSE

2.1 Governmental Purpose. The Bonds are being issued for the governmental purpose of constructing improvements and extensions to the waterworks system (the "Waterworks System") of the Municipality, consisting of construction of a project (the "Project") assigned Safe Drinking Water Loan Program Project No. 4928-04 by the Department of Natural Resources, and as described in the Department of Natural Resources approval letter for the plans and specifications under Section 281.41 of the Wisconsin Statutes, assigned Number W-2010-0529 and dated August 23, 2010 by the DNR.

2.2 Issuance Costs. \$6,000 of the proceeds of the Bonds will be used to pay issuance costs with respect to the Bonds.

2.3 New Money Proceeds. The balance of the proceeds (the "New Money Proceeds") will be used to pay the costs of the Project and to pay administrative expenses related to the Project.

2.4 No Replacement Proceeds. The Bonds are not being issued to replace any proceeds of an earlier issue of governmental obligations that were not expended on the project

for which such earlier issue was intended. Neither the Municipality or any related party of the Municipality has or is reasonably expected to have any monies (other than sale proceeds or investment proceeds of the Bonds) that (i) could be used for the governmental purposes for which the Bonds are being issued and (ii) are not reasonably expected to be used for other purposes.

2.5 Not a Tax Anticipation Note. The Bonds are not being issued in anticipation of taxes or other revenues, such as tolls, fees, grants or awards.

2.6 No Abusive Arbitrage Device. In connection with the issuance of the Bonds, the Municipality has not and will not engage in any transaction or series of transactions (i) enabling the Municipality to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, or (ii) increasing the burden on the market for tax-exempt obligations in any manner including, without limitation, by selling Bonds that would not otherwise be sold or selling more Bonds, or issuing them sooner, or allowing them to remain outstanding longer, than would otherwise be necessary to accomplish the governmental purposes of the Bonds. No device has been employed in connection with the issuance of the Bonds to obtain a material financial advantage (based on arbitrage) apart from savings attributable to lower interest rates.

2.7 No Other Obligations. There are no other obligations of the Municipality which (a) have been or will be sold within 15 days of the date of sale of the Bonds; (b) are sold pursuant to the same plan of financing together with the Bonds; and (c) are reasonably expected to be paid out of substantially the same source of funds as the Bonds.

2.8 Covenant. The Municipality will not make or permit any use of the Bond Proceeds which, if such use had been reasonably expected on the date of issuance of the Bonds, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and any applicable income tax regulations (the "Regulations"), and hereby further covenants that it will observe and not violate the requirements of Section 148 of the Code or any applicable Regulations.

### III. PROCEEDS AND FUNDS

3.1 Disposition of Proceeds. For tax purposes, the Bonds are considered issued on the date hereof because an amount of Bond Proceeds exceeding the lesser of \$50,000 or five percent (5%) of the Bond Proceeds is to be advanced on the date hereof pursuant to the Financial Assistance Agreement to either (i) reimburse the Municipality for Project expenses previously paid in anticipation of the receipt of Bond Proceeds, or (ii) pay, within three days of the date hereof, invoices previously received for Project costs. Subsequent advances of Bond Proceeds shall be made, in an aggregate amount which, after adding the first advance, does not exceed the face amount of the Bonds. Such subsequent advances will be applied either to (i) reimburse the Municipality for Project expenses previously paid in anticipation of the receipt of Bond Proceeds or (ii) pay Project invoices, as specified earlier, within three days of the date of receipt of such funds. Prior to the payment of Project invoices, the proceeds of the sale of the Bonds shall be deposited by the Municipality into a special fund designated as "Waterworks System SDWLP Project Fund." The Waterworks System SDWLP Project Fund shall be used solely for the



purpose of paying the costs of the Project as described above and in the Financial Assistance Agreement relating to the Project dated May 22, 2013. Moneys in the Waterworks System SDWLP Project Fund shall be disbursed within three business days of their receipt from the State of Wisconsin and shall not be invested in any interest-bearing account.

3.2 Not an Overissuance. The total cost of the Project is expected to be greater than the principal sum of the Bonds. The net amounts received by the Municipality allocable to the Project will not exceed the aggregate amount necessary for the Project.

3.3 Project Expenditures; No Payments to Related Parties. All New Money Proceeds shall be used solely to pay costs of the Project. The Municipality reasonably expects that 100% of the New Money Proceeds will be allocated to expenditures on the Project during a 3-year period beginning on the date of delivery of the Bonds. No New Money Proceeds will be allocated to any payment to a related party to the payor.

3.4 Substantial Binding Obligations. The Municipality has incurred substantial binding obligations to third parties (which are not subject to a contingency within the control of the Municipality or of a related party of the Municipality) to expend at least 5% of the New Money Proceeds on the Project.

3.5 Work or Acquisition Will Proceed with Due Diligence. The Municipality expects that work on or acquisition of the Project will proceed with due diligence to completion, and that the allocation of the New Money Proceeds to expenditures on the Project will proceed with due diligence.

3.6 Project Not to be Sold. The Project will not be sold or otherwise disposed of, in whole or in part, prior to the last maturity of the Bonds.

3.7 Debt Service Fund. Revenues of the Waterworks System collected for payment of principal and interest on the Bonds will be deposited when received into a sinking fund, as required by law, and amounts therein may only be used to pay principal and interest on the Bonds and other outstanding revenue bonds of the Municipality. The sinking fund, designated the "Debt Service Fund," for the Bonds is used primarily to achieve a proper matching of revenues and principal and interest payments within each year. Based on the debt service requirements of the Bonds and the expected dates of collection of revenues to pay such debt service, the Municipality expects that (i) the Debt Service Fund will be depleted at least once each year except for a reasonable carry-over amount which is not expected to exceed the greater of (a) the earnings from the investment of the Debt Service Fund for the immediately preceding bond year, or (b) 1/12 of the principal and interest payments on the Bonds and other outstanding revenue bonds for the immediately preceding bond year; (ii) amounts deposited in the Debt Service Fund will only be invested for a period less than 13 months (assuming a first-in-first-out method of accounting for deposits to the Debt Service Fund); and (iii) all earnings from the investment of the Debt Service Fund will be invested for a period not to exceed one year before being expended for payment of debt service on the Bonds. The Municipality has not established and does not expect to establish any other sinking fund or similar fund with respect to the Bonds. There are no other funds which are reasonably expected to be used to pay principal or interest on the Bonds or which are pledged to secure the Bonds.

3.8 No Bond Insurance. No premiums have been paid or will be paid to insure the Bonds.

3.9 No Reserve Fund. No reserve or replacement fund has been or will be established with regard to the Bonds.

3.10 Trade or Business. Not more than ten percent (10%) of either the proceeds of the Bonds or the Project is to be used (directly or indirectly) in a trade or business carried on by any person (other than a governmental unit), and not more than ten percent (10%) of the payment of the Bonds is (directly or indirectly): (i) secured by any interest in property used or to be used for a trade or business or payments in respect of such property; or (ii) derived from payments (whether or not to the Municipality) in respect of property or borrowed money, used or to be used for a trade or business. Not more than five percent (5%) of either the proceeds of the Bonds or the Project is to be or has been used (directly or indirectly) for any trade or business carried on by any person (other than a governmental unit) which is not related to any governmental use of such proceeds or of the Project, and not more than five percent (5%) of the payment of the principal of, or interest on, the Bonds is (directly or indirectly): (a) secured by any interest in property used or to be used for a trade or business or payments in respect of such property; or (b) derived from payments (whether or not to the Municipality) in respect of property or borrowed money, used or to be used in a trade or business. None of the proceeds of the Bonds will be used (directly or indirectly) to make or finance loans to persons other than governmental units. All users of the Municipality's Waterworks System have access to and use the System, and pay charges for use of the System, on the same basis as all other members of the general public.

#### IV. REBATE

4.1 Rebate. The Municipality shall comply with the requirements of Section 148(f) of the Code, and applicable regulations thereunder, including Reg. §§ 1.148-1 through 1.148-11 as provided in the Bond Resolution. Because the Municipality will not invest the Bond Proceeds in anything other than a non-interest bearing checking account, and will disburse all Bond Proceeds received as described in Section 3.1 above, the Municipality will not earn a yield in excess of the Bond yield and is therefore anticipated to have no rebate liability. In addition, the Municipality reasonably anticipates that all Bond Proceeds will be disbursed within the time periods set forth in Section 148(f)(4) of the Code. Further, the Municipality has covenanted in the Bond Resolution that, unless the Bonds are exempt from the rebate requirement of the Code, it will establish a Rebate Fund and calculate and pay to the United States any rebate amount payable with respect to the Bonds.

4.2 Records. The Municipality shall maintain or cause to be maintained records of such determinations for each computation period until six (6) years after payment in full of the Bonds and shall make such records available upon reasonable request therefor.

#### V. OTHER TAX MATTERS

5.1 No Federal Guarantee. Except as permitted under Section 149(b)(3) of the Code, (a) the payment of principal of or interest with respect to the Bonds will not be guaranteed, either directly or indirectly, in whole or in part, by the United States or any agency or instrumentality

thereof, and (b) none of the proceeds of the Bonds will be (i) used in making loans the payment of principal or interest with respect to which are to be guaranteed, in whole or in part, by the United States or any agency or instrumentality thereof, or (ii) invested directly or indirectly in federally insured deposits or accounts.

5.2 Not Hedge Bonds. None of the proceeds of the Bonds will be invested in nonpurpose investments having a substantially guaranteed yield for a period of four years or more.

5.3 Reimbursement. Any expenditures already paid by the Municipality prior to the date hereof for which the Municipality is to be reimbursed with proceeds of the Bonds (a) were paid no earlier than 60 days prior to September 7, 2010, the date on which the Municipality adopted a resolution, a true and correct copy of which is attached hereto in the Closing Transcript, stating its expectation to reimburse itself from the proceeds of the Bonds for any expenditures relating to the Project which it paid from other funds of the Municipality prior to receipt of the proceeds of the Bonds or (b) are preliminary expenditures relating to the Project (such as architectural, engineering, surveying, soil testing and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project, other than land acquisition, site preparation and similar costs incident to the commencement of construction) which are in an amount which is less than 20% of the aggregate issue price of the Bonds and any other issues that finance or are reasonably expected to finance the Project. The Project has not been placed in service as of the date hereof. Proceeds of the Bonds in an amount equal to the amount of expenditures on the Project which have been paid from other funds of the Municipality prior to the date hereof are hereby allocated to the reimbursement of those original expenditures.

5.4 Average Maturity. The term of the Bonds is no longer than reasonably necessary for the governmental purposes of the issue. The weighted average maturity of the Bonds (11.074 years) does not exceed 120% of the average reasonably expected economic life of the Project.

5.5 Form 8038-G. To the best of the Municipality's knowledge and belief, the information contained in the Information Return (Form 8038-G) attached in the transcript is complete and accurate.

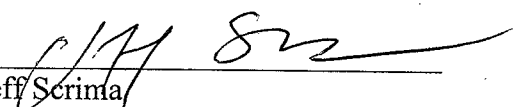
## VI. CONCLUSION

6.1 Expectations are Reasonable. To the best of our knowledge and belief, there are no other facts, estimates or circumstances that would materially change any of the Municipality's expectations as to future events described in this Certificate, and said expectations are reasonable.

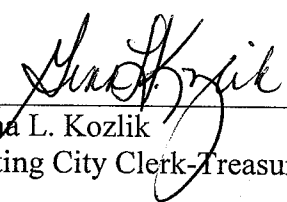
IN WITNESS WHEREOF, we have set our hands as of May 22, 2013.

CITY OF WAUKESHA, WISCONSIN

By: \_\_\_\_\_

  
Jeff Scrima  
Mayor

By: \_\_\_\_\_

  
Gina L. Kozlik  
Acting City Clerk-Treasurer

**Information Return for Tax-Exempt Governmental Obligations**

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

**Part I Reporting Authority**If Amended Return, check here ☐

1 Issuer's name <b>City of Waukesha, Wisconsin</b>		2 Issuer's employer identification number (EIN) <b>39-6005642</b>
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a
4 Number and street (or P.O. box if mail is not delivered to street address) <b>201 Delafield Street, Suite 111</b>	Room/suite	5 Report number (For IRS Use Only) <b>3</b>
6 City, town, or post office, state, and ZIP code <b>Waukesha, WI 53188</b>		7 Date of issue <b>05/22/13</b>
8 Name of issue <b>\$1,117,601 Waterworks System Revenue Bonds, Series 2013</b>		9 CUSIP number <b>None</b>
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) <b>Gina L. Kozlik, Acting City Clerk-Treasurer</b>		10b Telephone number of officer or other employee shown on 10a <b>262-524-3547</b>

**Part II Type of Issue (enter the issue price). See the instructions and attach schedule.**

11 Education . . . . .	11		
12 Health and hospital . . . . .	12		
13 Transportation . . . . .	13		
14 Public safety . . . . .	14		
15 Environment (including sewage bonds) . . . . .	15		
16 Housing . . . . .	16		
17 Utilities . . . . .	17	<b>1,117,601</b>	
18 Other. Describe ►	18		
19 If obligations are TANs or RANs, check only box 19a . . . . .			
If obligations are BANs, check only box 19b . . . . .			
20 If obligations are in the form of a lease or installment sale, check box . . . . .			

**Part III Description of Obligations. Complete for the entire issue for which this form is being filed.**

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	05/01/2033	\$ 1,117,601	\$ 1,117,601	11.074 years	1.9250 %

**Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)**

22 Proceeds used for accrued interest . . . . .	22	<b>0</b>
23 Issue price of entire issue (enter amount from line 21, column (b)) . . . . .	23	<b>1,117,601</b>
24 Proceeds used for bond issuance costs (including underwriters' discount) . . . . .	24	<b>6,000</b>
25 Proceeds used for credit enhancement . . . . .	25	<b>0</b>
26 Proceeds allocated to reasonably required reserve or replacement fund . . . . .	26	<b>0</b>
27 Proceeds used to currently refund prior issues . . . . .	27	<b>0</b>
28 Proceeds used to advance refund prior issues . . . . .	28	<b>0</b>
29 Total (add lines 24 through 28) . . . . .	29	<b>6,000</b>
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here) . . . . .	30	<b>1,111,601</b>

**Part V Description of Refunded Bonds. Complete this part only for refunding bonds.**

31 Enter the remaining weighted average maturity of the bonds to be currently refunded . . . . .	►	years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded . . . . .	►	years
33 Enter the last date on which the refunded bonds will be called (MM/DD/YYYY) . . . . .	►	
34 Enter the date(s) the refunded bonds were issued ► (MM/DD/YYYY)		

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 63773S

Form **8038-G** (Rev. 9-2011)

**Part VI Miscellaneous**

- |            |  |          |
|------------|--|----------|
| <b>35</b>  |  | <b>0</b> |
| <b>36a</b> |  | <b>0</b> |
| <b>37</b>  |  | <b>0</b> |
- 35** Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) . . . . .
- 36a** Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) . . . . .
- b** Enter the final maturity date of the GIC ▶ \_\_\_\_\_
- c** Enter the name of the GIC provider ▶ \_\_\_\_\_
- 37** Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units . . . . .
- 38a** If this issue is a loan made from the proceeds of another tax-exempt issue, check box ☐ and enter the following information:
- b** Enter the date of the master pool obligation ▶ \_\_\_\_\_
- c** Enter the EIN of the issuer of the master pool obligation ▶ \_\_\_\_\_
- d** Enter the name of the issuer of the master pool obligation ▶ \_\_\_\_\_
- 39** If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ☐ . . . . .
- 40** If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ☐ . . . . .
- 41a** If the issuer has identified a hedge, check here ☐ and enter the following information:
- b** Name of hedge provider ▶ \_\_\_\_\_
- c** Type of hedge ▶ \_\_\_\_\_
- d** Term of hedge ▶ \_\_\_\_\_
- 42** If the issuer has superintegrated the hedge, check box ☐ . . . . .
- 43** If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box ☒ . . . . .
- 44** If the issuer has established written procedures to monitor the requirements of section 148, check box ☒ . . . . .
- 45a** If some portion of the proceeds was used to reimburse expenditures, check here ☒ and enter the amount of reimbursement . . . . . **\$50,000**
- b** Enter the date the official intent was adopted ▶ **September 7, 2010**

<b>Signature and Consent</b>	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.				
	 Signature of issuer's authorized representative	05/22/13 Date	Jeff Scrima, Mayor Type or print name and title		
<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Rebecca A. Speckhard		05/22/13		P01294827
	Firm's name ▶ Quarles & Brady LLP			Firm's EIN ▶	39-0432630
	Firm's address ▶ 411 East Wisconsin Avenue, Milwaukee, WI 53202			Phone no. (414) 277-5000	

State of Wisconsin  
Department of Natural Resources  
Bureau of Community Financial Assistance  
101 South Webster Street  
PO Box 7921  
Madison, Wisconsin 53707-7921  
(608) 266-7555

Financial Assistance Agreement  
Safe Drinking Water Loan Program  
Form 8700-214 rev 8/10

STATE OF WISCONSIN SAFE DRINKING WATER LOAN PROGRAM  
FINANCIAL ASSISTANCE AGREEMENT WITH PRINCIPAL FORGIVENESS

---

STATE OF WISCONSIN  
DEPARTMENT OF NATURAL RESOURCES  
DEPARTMENT OF ADMINISTRATION

and

CITY OF WAUKESHA

---

\$1,241,779 With \$124,178 PRINCIPAL FORGIVENESS

FINANCIAL ASSISTANCE AGREEMENT

---

Dated as of May 22, 2013

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This constitutes a **Financial Assistance Agreement** under the State of Wisconsin's Safe Drinking Water Loan Program. This agreement is awarded pursuant to ss. 281.59 and 281.61, Wis. Stats. The purpose of this agreement is to award financial assistance from the Safe Drinking Water Loan Program. This agreement also discloses the terms and conditions of this award.

This agreement is only effective when signed by authorized officers of the municipality and an authorized officer of the State of Wisconsin Department of Natural Resources and State of Wisconsin Department of Administration.

The Department of Natural Resources and the Department of Administration may rescind or terminate this agreement if the municipality fails to comply with the terms and conditions contained within. Any determination or certification made in this agreement by the Department of Natural Resources or the Department of Administration is made solely for the purpose of providing financial assistance under the Safe Drinking Water Loan Program.

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Municipal Identification No. 67291  
Safe Drinking Water Loan Program Project No. 4928-04



## TABLE OF CONTENTS

### ARTICLE I DEFINITIONS; RULES OF INTERPRETATION

Section 1.01.	Definitions	2
Section 1.02.	Rules of Interpretation	4

### ARTICLE II REPRESENTATIONS

Section 2.01.	Representations of the SDWLP	6
Section 2.02.	Representations of the Municipality	6

### ARTICLE III LOAN PROVISIONS

Section 3.01.	Loan Clauses	11
Section 3.02.	Municipal Obligations Amortization	11
Section 3.03.	Type of Municipal Obligation and Security	11
Section 3.04.	Sale and Redemption of Municipal Obligations	12
Section 3.05.	Disbursement of Financial Assistance	12
Section 3.06.	Remedies	13
Section 3.07.	Security for the Municipal Obligations	14
Section 3.08.	Effective Date and Term	14

### ARTICLE IV CONSTRUCTION OF THE PROJECT

Section 4.01.	Insurance	15
Section 4.02.	Construction of the Project	15
Section 4.03.	Performance Bonds	15
Section 4.04.	Completion of the Project	15
Section 4.05.	Payment of Additional Project Costs	16
Section 4.06.	No Warranty Regarding Condition, Suitability or Cost of Project	16

### ARTICLE V COVENANTS

Section 5.01.	Application of Financial Assistance	17
Section 5.02.	Operation and Maintenance	17
Section 5.03.	Compliance with Law	17
Section 5.04.	Public Ownership	17
Section 5.05.	Establishment of Project Accounts; Audits	17
Section 5.06.	Records	17
Section 5.07.	Project Areas	18
Section 5.08.	Engineering Inspection	18
Section 5.09.	Tax Covenants	18
Section 5.10.	User Fee Covenant	18
Section 5.11.	Notice of Impaired System	19
Section 5.12.	Hold Harmless	19
Section 5.13.	Nondiscrimination Covenant	19

Section 5.14.	Employees	19
Section 5.15.	Adequate Funds	19
Section 5.16.	Management	19
Section 5.17.	Reimbursement	19
Section 5.18.	Unpaid User Fees	19
Section 5.19.	Rebates	20
Section 5.20.	Maintenance of Legal Existence	20
Section 5.21.	Federal Single Audit	20
Section 5.22.	Wage Rate Requirements	20
Section 5.23.	Federal Project	20

## ARTICLE VI MISCELLANEOUS

Section 6.01.	Notices	21
Section 6.02.	Binding Effect	21
Section 6.03.	Severability	21
Section 6.04.	Amendments, Supplements and Modifications	21
Section 6.05.	Execution in Counterparts	21
Section 6.06.	Applicable Law	21
Section 6.07.	Benefit of Financial Assistance Agreement	22
Section 6.08.	Further Assurances	22
Section 6.09.	Assignment of Municipal Obligations	22
Section 6.10.	Covenant by Municipality as to Compliance with General Resolution	22
Section 6.11.	Termination	22
Section 6.12.	Rescission	22

EXHIBIT A	PROJECT BUDGET SHEET SUMMARY
EXHIBIT B	LOAN AMORTIZATION SCHEDULE
EXHIBIT C	LOAN DISBURSEMENT TABLE
EXHIBIT D	OPERATING CONTRACTS
EXHIBIT E	DISADVANTAGED BUSINESS ENTERPRISES CONTRACT UTILIZATION
EXHIBIT F	PROJECT MANAGER SUMMARY PAGE
EXHIBIT G	WAGE RATE COMPLIANCE CERTIFICATION
EXHIBIT H	LIST OF FEDERAL LAWS AND AUTHORITIES

WITNESSETH:

WHEREAS, this is a FINANCIAL ASSISTANCE AGREEMENT (the "FAA"), dated May 22, 2013, between the STATE OF WISCONSIN Safe Drinking Water Loan Program (the "SDWLP"), by the Department of Natural Resources (the "DNR") and the Department of Administration (the "DOA"), acting under authority of ss. 281.59 and 281.61, Wis. Stats., as amended (the "Act"), and the City of Waukesha, a municipality within the meaning of the Act, duly organized and existing under the laws of the State of Wisconsin (the "Municipality"); and

WHEREAS, the United States, pursuant to the Federal Safe Drinking Water Act Amendments of 1996 (the "Safe Drinking Water Act"), requires each state to establish a drinking water revolving loan fund to be administered by an instrumentality of the state before the state may receive capitalization grants for eligible projects from the United States Environmental Protection Agency (the "EPA"), or any successor which may succeed to the administration of the program established by the Safe Drinking Water Act; and

WHEREAS, the State of Wisconsin has, pursuant to ss. 281.59 and 281.61, Wis. Stats., established the SDWLP to be used in part for purposes of the Safe Drinking Water Act; and

WHEREAS, the State of Wisconsin has, pursuant to s. 25.43, Wis. Stats., established a State of Wisconsin Environmental Improvement Fund which includes the SDWLP; and

WHEREAS, DNR and DOA have the joint responsibility to provide SDWLP financial assistance to municipalities for the construction of eligible drinking water projects, all as set forth in the Act; and

WHEREAS, the Municipality has submitted to DNR an application for financial assistance (the "Application") for a project (the "Project"), DNR has approved the Application, and determined the Application meets DNR criteria for Project eligibility established in applicable state statutes and regulations; and

WHEREAS, DNR has determined that the Municipality and the Project are not ineligible for financial assistance under s. 281.61(2g), Wis. Stats.; and

WHEREAS, DOA has determined the SDWLP will provide financial assistance to the Municipality by making a loan (the "Loan") pursuant to s. 281.59(9), Wis. Stats., for the purposes of that subsection and providing Principal Forgiveness; and

WHEREAS, the Municipality has pledged the security, if any, required by DOA, and the Municipality has demonstrated to the satisfaction of DOA the financial capacity to ensure sufficient revenues to operate and maintain the Project for its useful life and to pay debt service on the obligations it issues for the Project; and

WHEREAS, the Municipality certifies to the SDWLP that it has created a dedicated source of revenue, for repayment of the Municipal Obligations; and

WHEREAS, approval of facility plans or engineering reports and Plans and Specifications for the Project has been obtained by the Municipality from DNR subject to the provisions of applicable State environmental standards set forth in law, rules and regulations;

NOW, THEREFORE, in consideration of the promises and of the mutual representations, covenants and agreements herein set forth, the SDWLP and the Municipality, each binding itself, its successors and assigns, do mutually promise, covenant and agree as follows:

ARTICLE I  
DEFINITIONS; RULES OF INTERPRETATION

Section 1.01. Definitions The following capitalized terms as used in this FAA shall have the following meanings:

"Act" means ss. 281.59 and 281.61, Wis. Stats., as amended.

"Application" means the written application of the Municipality dated September 1, 2010, for financial assistance under the Act.

"Bonds" means bonds or notes issued by the State pursuant to the General Resolution, all or a portion of the proceeds of which shall be applied to make the Loan.

"Business Day" means any day on which State offices are open to conduct business.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor provisions.

"DNR" means the State of Wisconsin Department of Natural Resources and any successor entity.

"DOA" means the State of Wisconsin Department of Administration and any successor entity.

"EPA" means the United States Environmental Protection Agency or any successor entity that may succeed to the administration of the program established by the Safe Drinking Water Act.

"FAA" means this Financial Assistance Agreement.

"Final Completion" means the Project construction is complete, DNR or agents thereof have certified that the Project was constructed according to DNR approved Plans and Specifications and that the facilities are operating according to design, and DNR has completed all necessary Project closeout procedures.

"Financial Assistance" means any proceeds provided under this Financial Assistance Agreement in the form of a Loan of which part of the Loan principal will be forgiven.

"Financial Assistance Agreement" means this Financial Assistance Agreement between the SDWLP by DNR, DOA and the Municipality as the same may be amended from time to time in accordance with Section 6.04 hereof.

"General Resolution" means the Clean Water Revenue Bond General Resolution adopted by the State of Wisconsin Building Commission, as such may from time to time be amended or supplemented by Series Resolutions or Supplemental Resolutions in accordance with the terms and provisions of the General Resolution.

"Loan" means the loan or loans made by the SDWLP to the Municipality of which a portion of the principal will be forgiven pursuant to this FAA.

"Loan Disbursement Table" means the table, the form of which is included as Exhibit C hereto, with columns for inserting the following information for the portion of the Loan which is to be repaid with interest:

- (a) amount of each disbursement,
- (b) date of each disbursement,
- (c) the series of Bonds from which each disbursement is made,
- (d) principal amounts repaid,
- (e) outstanding principal balance.

"Municipal Obligation Counsel Opinion" means the opinion of counsel satisfactory to DOA, issued in conjunction with the Municipal Obligations, stating that:

- (a) the FAA and the performance by the Municipality of its obligations thereunder have been duly authorized by all necessary action by the governing body of the Municipality, and the FAA has been duly executed and delivered by the Municipality;
- (b) the Municipal Obligations have been duly authorized, executed and delivered by the Municipality and sold to the SDWLP;
- (c) each of the FAA and the Municipal Obligations constitutes a legal, valid and binding obligation of the Municipality, enforceable against the Municipality in accordance with its respective terms (provided that enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that its enforcement may also be subject to the exercise of judicial discretion in appropriate cases);
- (d) the Municipal Obligations constitute special obligations of the Municipality secured as to payment of principal, interest and redemption price by the pledged revenues as set forth therein;
- (e) interest on the Municipal Obligations is not included in gross income of the owners thereof for federal income taxation purposes under existing laws, regulations, rulings and judicial decisions;
- (f) the Municipal Obligations are not "arbitrage bonds" within the meaning of Section 148 of the Code and the arbitrage regulations; and
- (g) the Municipal Obligations are not "private activity bonds" as defined in Section 141(a) of the Code.

"Municipal Obligation Resolution" means that action taken by the governing body of the Municipality authorizing the issuance of the Municipal Obligations.

"Municipal Obligations" means the bonds or notes issued and delivered by the Municipality to the SDWLP, a specimen copy of which is included in the Municipal Obligations transcript in exchange for the portion of the Loan which is not subject to Principal Forgiveness.

"Municipality" means City of Waukesha, a "local governmental unit" within the meaning of the Act, duly organized and existing under the laws of the State, and any successor entity.

"Plans and Specifications" means the Project design plans and specifications assigned No. W-2010-0529, approved by DNR on August 23, 2010, as the same may be amended or modified from time to time in accordance with this FAA.

"Principal Forgiveness" means Financial Assistance received in the form of forgiveness of Loan principal amount pursuant to the Act, Regulations, and this FAA of which no repayment thereof shall be required except as may be required per the Act, Regulations, or this FAA. The amount of principal forgiveness available for this Project as of the date of this FAA is \$124,178.

"Progress payments" means payments for work in place and materials or equipment that have been delivered or are stockpiled in the vicinity of the construction site. This includes payments for undelivered specifically manufactured equipment if: (1) designated in the specifications, (2) could not be readily utilized or diverted to another job and (3) a fabrication period of more than 6 months is anticipated.

"Project" means the project assigned SDWLP Project No. 4928-04 by DNR, described in the Project Manager Summary Page (Exhibit F), and further described in the DNR approval letter(s) for the Plans and Specifications, or portions thereof, issued under s. 281.41, Wis. Stats.

"Project Costs" means the costs of the Project that are eligible for financial assistance from the SDWLP under the Act, which are allowable costs under the Regulations, which have been incurred by the Municipality, an estimate of which is set forth in Exhibit A hereto and made a part hereof.

"Regulations" means chs. NR 166, NR 809 and NR 811, Wis. Adm. Code, the regulations of DNR, and ch. Adm. 35, Wis. Adm. Code, the regulations of DOA, adopted pursuant to and in furtherance of the Act, as such may be adopted or amended from time to time.

"Safe Drinking Water Act" means the federal Safe Drinking Water Act, 42 U.S.C. 300f to 300j-26.

"SDWLP" means State of Wisconsin Safe Drinking Water Loan Program, established pursuant to ss. 281.59 and 281.61, Wis. Stats., and managed and administered by DNR and DOA.

"Senior Municipal Obligations" means the Municipality's \$7,865,000 Waterworks System Revenue Bonds, Series 2006, dated April 15, 2006 and the \$4,945,000 Waterworks System Revenue Bonds, Series 2008, dated April 22, 2008.

"Series Resolution" or "Supplemental Resolution" shall have the meaning set forth in the General Resolution.

"State" means the State of Wisconsin.

"Substantial Completion" means the point in time when the Project is operational or capable of being operated.

"Trustee" means the trustee appointed by the State pursuant to the General Resolution and any successor trustee.

"User Fees" means fees charged or to be charged to users of the Project or the Water System of which the Project is a part pursuant to the Water Rates or otherwise.

"Water Diversion Permit" means a DNR permit issued to the Municipality under s. 30.18(2), Wis. Stats., to divert water from a stream or lake in Wisconsin.

"Water Rates" means a charge or system of charges levied on users of a water system for the user's proportional share of the revenue requirement of a water system which consists of operation and maintenance expenses, depreciation, taxes and return on investment.

"Water System" means all structures, conduits and appurtenances by means of which water is delivered to consumers except piping and fixtures inside buildings served and service pipes from buildings to street mains.

**Section 1.02. Rules of Interpretation** Unless the context clearly indicates to the contrary, the following rules shall apply to the context of this FAA:

(a) Words importing the singular number shall include the plural number and vice versa, and one gender shall include all genders.

(b) All references herein to particular articles or sections are references to articles or sections of this FAA.

(c) The captions and headings herein are solely for convenience of reference and shall not constitute a part of this FAA nor shall they affect its meaning, construction or effect.

(d) The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms, as used in this FAA refer to the FAA in its entirety and not the particular article or section of this FAA in which they appear, and the term "hereafter" means after, and the term "heretofore" means before, the date of delivery of this FAA.

(e) All accounting terms not otherwise defined in this FAA have the meanings assigned to them in accordance with generally accepted accounting principles, and all computations provided for herein shall be made in accordance with generally accepted accounting principles.

ARTICLE II  
REPRESENTATIONS

Section 2.01. Representations of the SDWLP The SDWLP represents and warrants as follows:

- (a) The State is authorized to issue the Bonds in accordance with the Act and the General Resolution and to use the proceeds thereof to provide funds for the Financial Assistance provided to the Municipality to undertake and complete the Project.
- (b) The SDWLP has complied with the provisions of the Act and has full power and authority to execute and deliver this FAA and to consummate the transactions contemplated hereby and perform its obligations hereunder.
- (c) The SDWLP is not in violation of any of the provisions of the Constitution or laws of the State which would affect its powers referred to in the preceding paragraph (b).
- (d) Pursuant to ss. 281.59 and 281.61, Wis. Stats., the SDWLP is authorized to execute and deliver the FAA and to take actions, and make determinations that are required of the SDWLP under the terms and conditions of the FAA.
- (e) The execution and delivery by the SDWLP of this FAA and the consummation of the transactions contemplated by this FAA shall not violate any indenture, mortgage, deed of trust, note, agreement or other contract or instrument to which the State is a party or by which it is bound, or to the best of the SDWLP's knowledge, any judgment, decree, order, statute, rule or regulation applicable to the SDWLP, and all consents, approvals, authorizations and orders of governmental or regulatory authorities that are required for the consummation of the transactions contemplated thereby have been obtained.
- (f) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to the knowledge of the SDWLP, threatened against or affecting the SDWLP, or to the knowledge of the SDWLP, any basis therefore, wherein an unfavorable decision, ruling, or finding would adversely affect the transactions contemplated hereby or which, in any way, could adversely affect the validity of this FAA or any agreement or instrument to which the State is a party and which is used or contemplated for use in consummation of the transactions contemplated by each of the foregoing.
- (g) The Project is on the DNR funding list for the 2011 state fiscal year.

Section 2.02. Representations of the Municipality The Municipality represents, covenants and warrants as follows:

- (a) The Municipality possesses the legal municipal form of a city under ch. 62, Wis. Stats. The Municipality is located within the State and is a "municipality" within the meaning of the Act, duly organized and existing under the laws of the State, and has full legal right, power and authority to:
  - (1) conduct its business and own its properties,
  - (2) enter into this FAA,
  - (3) adopt the Municipal Obligation Resolution,
  - (4) issue and deliver the Municipal Obligations to the SDWLP as provided herein, and
  - (5) carry out and consummate all transactions contemplated by each of the aforesaid documents.
- (b) The Municipality is in compliance with its Water Diversion Permit (if any).



(c) With respect to the issuance of the Municipal Obligations, the Municipality has complied with the Municipal Obligation Resolution and with all applicable laws of the State.

(d) The governing body of the Municipality has duly approved the execution and delivery of this FAA and the issuance and delivery of the Municipal Obligations in the aggregate principal amount of \$1,117,601 and has authorized the taking of any and all action as may be required on the part of the Municipality and its authorized officers to carry out, give effect to and consummate the transactions contemplated by each of the foregoing.

(e) This FAA and the Municipal Obligations have each been duly authorized, executed and delivered and constitute legal, valid and binding obligations of the Municipality, enforceable in accordance with their respective terms.

(f) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Municipality, threatened against or affecting the Municipality, or to the knowledge of the Municipality any basis therefore:

(1) affecting the creation, organization or existence of the Municipality or the title of its officers to their respective offices;

(2) seeking to prohibit, restrain or enjoin the execution of this FAA or the issuance or delivery of the Municipal Obligations;

(3) in any way contesting or affecting the validity or enforceability of the Municipal Obligation Resolution, the Municipal Obligations, this FAA, or any agreement or instrument relating to any of the foregoing or used or contemplated for use in the consummation of the transactions contemplated by this FAA; or

(4) wherein an unfavorable decision, ruling or finding could adversely affect the transactions contemplated hereby or by the Municipal Obligation Resolution or the Municipal Obligations.

(g) The Municipality is not in any material respect in breach of or in default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any agreement or other instrument to which the Municipality is a party or by which it or any of its properties is bound, and no event has occurred that, with the passage of time, the giving of notice, or both, could constitute such a breach or default. The execution and delivery of this FAA, the issuance and delivery of the Municipal Obligations, the adoption of the Municipal Obligation Resolution and compliance with the respective provisions thereof shall not conflict with, or constitute a breach of, or default under any applicable law or administrative regulation of the State or of the United States or any applicable judgment or decree or any agreement or other instrument to which the Municipality is a party, or by which it or any of its property is bound.

(h) The Municipal Obligations constitute validly issued, legally binding special obligations of the Municipality secured as set forth therein.

(i) The resolutions of the Municipality accepting the Financial Assistance and the Municipal Obligation Resolution have been duly adopted by the Municipality and remain in full force and effect as of the date hereof.

(j) The Municipality has full legal right and authority and all necessary permits, licenses and approvals (other than such permits, licenses, easements or approvals which are not, by their nature, obtainable prior to Substantial Completion of the Project) required as of the date hereof to own the Project, to carry on its activities relating thereto, to undertake and complete the Project and to carry out and consummate all transactions contemplated by this FAA.

(k) The Municipality represents that it has not made any commitment or taken any action that shall result in a valid claim for any finders' or similar fees or commitments in respect to the issuance and sale of the Municipal Obligations and the making of the Loan under this FAA.

(l) Each of the facilities constituting a part of the Project is eligible for financing from the SDWLP and the estimated cost of the Project is equal to or in excess of the principal amount of the Municipal Obligations. The Project has satisfied the requirements of the State Environmental Review Procedures contained in the Regulations. The Project is an eligible project under s. 281.61(2), Wis. Stats. Portions of the Project that are ineligible for financing from the SDWLP are listed within the Project Manager Summary Page attached hereto as Exhibit F. The Municipality intends the Project to be and continue to be an eligible Project under the Act during the term of this FAA.

(m) All amounts shown in Exhibit A of this FAA are costs of a Project eligible for financial assistance from the SDWLP under the Act. All proceeds of any borrowing of the Municipality that have been spent and which are being refinanced with the proceeds of the Financial Assistance made hereunder have been spent on eligible Project Costs. All Project Costs are reasonable, necessary and allocable by the Municipality to the Project under generally accepted accounting principles. None of the proceeds of the Financial Assistance shall be used directly or indirectly by the Municipality as working capital or to finance inventory, as opposed to capital improvements.

(n) The Project is in compliance with all applicable federal, state and local laws and ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality. The Municipality intends to proceed with due diligence to complete the Project pursuant to Section 4.04 hereof. The Municipality has complied with and completed all requirements of DNR necessary to commence construction of the Project prior to the date hereof.

(o) The Municipality does not intend to lease the Project or enter into a long-term contract for operation of the Project except as set forth in Exhibit D.

(p) The Municipality shall not take or omit to take any action which action or omission shall in any way cause the proceeds of the Bonds to be applied in a manner contrary to that provided in the General Resolution, as the same is in force from time to time.

(q) The Municipality has not taken and shall not take any action and presently knows of no action, that any other person, firm or corporation has taken or intends to take, that would cause interest on the Municipal Obligations to be includable in the gross income of the owners of the Municipal Obligations for federal income tax purposes. The representations, certifications and statements of reasonable expectation made by the Municipality as referenced in the Municipal Obligation Counsel Opinion and No Arbitrage Certificate are hereby incorporated by this reference as though fully set forth herein.

(r) Other than (1) "preliminary expenditures" as defined in the Treas. Regs. 26 CFR 1.150-2 in an amount not exceeding 20% of the principal amount of the Municipal Obligations, or (2) a "de minimis" amount as defined in the Treas. Regs. 26 CFR 1.150-2 in an amount not exceeding the lesser of \$100,000 or 5% of the principal amount of the Municipal Obligations, all of the proceeds of the Bonds loaned to the Municipality (other than refunding proceeds, if any) shall be used for Project Costs paid by the Municipality subsequent to a date which is 60 days prior to the date on which the Municipality adopted a reimbursement resolution pursuant to Treas. Regs. 26 CFR 1.150-2 stating its intent to reimburse other funds of the Municipality used to finance the Project, or subsequent to the issuance date of the Municipal Obligations.

- (s) The Municipality represents that it has satisfied all the applicable requirements in ss. 281.61(3), (4), (5) and (8m), Wis. Stats., and ch. NR 166, Wis. Adm. Code.
- (t) The Municipality has adopted a rate, charge or assessment schedule that will generate annually sufficient revenue to pay the principal of and interest on the Municipal Obligations.
- (u) The Municipality is in substantial compliance with all conditions, requirements and terms of financial assistance previously awarded through any federal construction grants program and the SDWLP.
- (v) The Municipality has met all terms and conditions contained within, and has received DNR approval for the Municipality's Plans and Specifications for the Project described in the definitions hereof.
- (w) The Municipality represents that it has submitted to DNR a bid tabulation for the Project, with a recommendation to DNR for review and concurrence. The expected or actual Substantial Completion date of the Project is August 30, 2013.
- (x) The Municipality acknowledges that s. 281.59(11)(b), Wis. Stats., and the General Resolution provide that if the Municipality fails to repay the Loan when due, the State shall recover amounts due the SDWLP by deducting those amounts from any State payments due the Municipality.

This means that the following State payments would have been subject to this deduction:

	Transportation	State-shared	Total
2011	\$2,836,646.94	\$1,724,401.76	\$4,561,048.70
2012	\$2,560,739.03	\$1,470,646.94	\$4,031,385.97

The amount of State payments anticipated for this year, among others, and as changed or modified from time to time, that are subject to this deduction are:

2013	\$2,564,536.80	\$1,498,952.96	\$4,063,489.76
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These are not the entire amounts of State aid distributed to the Municipality. Other State aid is subject to intercept on failure of the Municipality to make full Loan payments due the SDWLP.

The Municipality acknowledges that ss. 281.59(11)(b) and 70.60, Wis. Stats., and the General Resolution, provide that if the Municipality fails to repay the Loan when due, the State shall recover amounts due the SDWLP by adding a special charge to the amount of taxes apportioned to and levied upon the county in which the Municipality is located.

(y) The Municipality acknowledges that the State reserves the right upon default by the Municipality hereunder to have a receiver appointed to collect User Fees from the operation of the Municipality's Water System or, in the case of a joint utility system, to bill the users of the Municipality's Water System directly.

(z) The representations of the Municipality in the Application are true and correct as of the date of this FAA and are incorporated herein by reference as if fully set forth in this place.

(aa) There has been no material adverse change in the financial condition or operation of the Municipality or the Project since the submission date of the Application.

(bb) The Municipality submitted a water rate application to the Public Service Commission. This water rate application is for Water Rates that shall generate sufficient revenues, together with other funds available to the Municipality, to pay all costs of operating and maintaining the facilities of the Municipality's entire Water System, in accordance with this FAA. The Municipality implemented the Water Rates upon the Wisconsin Public Service Commission's approval of the rate order.

(cc) The Municipality acknowledges that it is eligible to receive Financial Assistance in the form of a Loan of \$1,241,779 with Principal Forgiveness of \$124,178 for payment of Project Costs.

ARTICLE III  
LOAN PROVISIONS

Section 3.01. Loan Clauses

(a) Subject to the conditions and in accordance with the terms of this FAA, the SDWLP hereby agrees to make the Loan and the Municipality agrees to accept the Loan. As evidence of the portion of the Loan made to the Municipality remaining subsequent to the Principal Forgiveness, the Municipality hereby agrees to sell to the SDWLP Municipal Obligations in the aggregate principal amount of \$1,117,601. The SDWLP shall pay for the Municipal Obligations in lawful money of the United States, which shall be disbursed as provided in this FAA.

(b) Prior to disbursement, Loan proceeds shall be held by the SDWLP or by the Trustee for the account of the SDWLP. Earnings on undisbursed Loan proceeds shall be for the account of the SDWLP. Loan proceeds shall be disbursed only upon submission by the Municipality of disbursement requests and approval thereof as set forth in Section 3.05 hereof.

(c) The Loan shall bear interest at the rate of one and 925/1000ths percent (1.925%) per annum, and interest shall accrue and be payable only on Loan principal amounts actually disbursed on the Municipal Obligations, from the date of disbursement until the date such amounts are repaid or forgiven.

(d) Disbursements of Financial Assistance shall generally first be made in the form of a Loan disbursement on the Municipal Obligations which must be at least 5% of the Municipal Obligation amount or \$50,000, whichever is less, second in the form of Loan disbursements subject to Principal Forgiveness up to \$124,178 and third in the form of Loan disbursements on the Municipal Obligations. Principal Forgiveness will be applied at the time of Loan disbursement.

(e) The Municipal Obligation shall include the Loan Disbursement Table (Exhibit C). The actual dates of disbursements shall be reflected as part of the Municipal Obligations. DOA shall make entries as each disbursement is made and as each principal amount is repaid; the SDWLP and the Municipality agree that such entries shall be mutually binding.

(f) Upon Final Completion of the Project, DOA may request that the Municipality issue substitute Municipal Obligations in the aggregate principal amount equal to the outstanding principal balance of the Municipal Obligations.

(g) The Municipality shall deliver, or cause to be delivered, a Municipal Obligation Counsel Opinion to the SDWLP concurrently with the delivery of the Municipal Obligations.

Section 3.02. Municipal Obligations Amortization Principal and interest payments on the Municipal Obligations shall be due on the dates set forth in Exhibit B of this FAA. The payment amounts shown on Exhibit B are for informational purposes only and assume the full amount of the Municipal Obligations is disbursed and that the full amount of Principal Forgiveness available is applied to the Loan on May 22, 2013. It is understood that the actual amount of the Municipality's Municipal Obligations payments shall be based on the actual date and amount of disbursements on the Municipal Obligations. Notwithstanding the foregoing or anything in the Municipal Obligations, the Municipal Obligations shall be for no longer than twenty (20) years from the date of this FAA, and shall mature and be fully amortized not later than twenty (20) years after the original issue date of the Municipal Obligations. Repayment of principal on the Municipal Obligations shall begin not later than twelve (12) months after the expected or actual Substantial Completion date of the Project.

Section 3.03. Type of Municipal Obligation and Security The Municipality's obligation to meet annual debt service requirements on the Municipal Obligations shall be a revenue obligation evidenced by issuance of revenue bonds pursuant to s. 66.0621, Wis. Stats. The security for the Municipality's

obligation shall be a pledge of revenues to be derived from the Municipality's Water System, and the Municipality shall agree that if revenues from the Water System are insufficient to meet annual debt service requirements, the Municipality shall purchase water services in amounts sufficient to meet annual debt service requirements as provided in and set forth in Section 9 of the Municipal Obligation Resolution. The annual revenues net of all current expenses shall be equal to not less than the annual principal and interest requirements on the Senior Municipal Obligations, the Municipal Obligations, any parity obligations and any other debt obligations payable from the revenues of the Water System then outstanding, times the greater of (i) 110 percent or (ii) the highest debt service coverage ratio required with respect to the Senior Municipal Obligations, any parity obligations or any other debt obligations payable from the revenues of the Water System then outstanding. As of the date of this FAA, the required debt service coverage ratio is 125 percent; however, this percentage is subject to change as outlined in the prior sentence. The Municipal Obligations are also secured as provided in Section 3.07 hereof.

#### Section 3.04. Sale and Redemption of Municipal Obligations

- (a) Municipal Obligations may not be prepaid without the prior written consent of the SDWLP. The SDWLP has sole discretion to withhold such consent.
- (b) The Municipality shall pay all costs and expenses of the SDWLP in effecting the redemption of the Bonds to be redeemed with the proceeds of the prepayment of the Municipal Obligations. Such costs and expenses may include any prepayment premium applicable to the SDWLP and any investment losses incurred or sustained by the SDWLP resulting directly or indirectly from any such prepayment.
- (c) Subject to subsection (a), the Municipality may prepay the Municipal Obligations with any settlements received from any third party relating to the design or construction of the Project.
- (d) Prepayments of the Municipal Obligations shall be applied pro rata to all maturities of the Municipal Obligations.

#### Section 3.05. Disbursement of Financial Assistance

- (a) Under this FAA, Financial Assistance shall be drawn in the order specified in Section 3.01(d) of this document.
- (b) Each disbursement request shall be delivered to DNR. Each request must contain invoices or other evidence acceptable to DNR and DOA that Project Costs for which disbursement is requested have been incurred by the Municipality.
- (c) The SDWLP, through its agents or Trustee, plans to make disbursements of Financial Assistance on a semimonthly basis, upon approval of each disbursement request by DNR and DOA. Such approval by DNR and DOA may require adjustment and corrections to the disbursement request submitted by the Municipality. The Municipality shall be notified whenever such an adjustment or correction is made by DNR or DOA.
- (d) Disbursements made to the Municipality are subject to pre- and post-payment adjustments by DNR or DOA.
  - (1) If the Financial Assistance is not yet fully disbursed, and SDWLP funds were previously disbursed for non-eligible SDWLP funded Project Costs, the SDWLP shall make necessary adjustments to future disbursements.
  - (2) If the Financial Assistance is fully disbursed, including disbursements for any non-eligible SDWLP funded Project Costs, the Municipality agrees to repay to the SDWLP an

amount equal to the non-eligible SDWLP funded Project Costs within 60 days of notification by DNR or DOA. The SDWLP shall then apply the amount it receives as a Loan prepayment or as a recovery of a Loan disbursement with Principal Forgiveness (if there is no outstanding Loan principal balance available to apply the recovery to).

(e) The SDWLP or its agent shall disburse Financial Assistance only to the Municipality's account by electronic transfer of funds. The Municipality hereby covenants that it shall take actions and provide information necessary to facilitate these transfers.

(f) Disbursement beyond ninety-five percent (95%) of the Financial Assistance, unless otherwise agreed to by DNR and DOA pursuant to a written request from the Municipality, may be withheld until:

- (1) DNR is satisfied that the Project has been completed in accordance with the Plans and Specifications, and DNR has approved all change orders relating to the Project;
- (2) The Municipality certifies to DNR its acceptance of the Project from its contractors;
- (3) The Municipality certifies in writing to DNR its compliance with the wage rate requirements. Certification must be as prescribed on Exhibit G;
- (4) The Municipality shall furnish reports, provide data and such other information as SDWLP may require prior to Project closeout; and
- (5) DNR certifies in writing to DOA the Municipality's compliance with all applicable requirements of this FAA.

(g) The following IRS Regulation applies to project expenditures. IRS Regulation 1.148-6(d)(1)(iii), which states, in part, "An issuer must account for the allocation of proceeds to expenditures not later than 18 months after the later of the date the expenditure is paid or the date the project, if any, that is financed by the issue is placed in service".

#### Section 3.06. Remedies

(a) If the Municipality:

- (1) or any authorized representative is not complying with federal or state laws, regulations, or requirements relating to the Project, and following due notice by DNR the Project is not brought into compliance within a reasonable period of time; or
- (2) is not complying with or is in violation of any provision set forth in this FAA; or
- (3) is not in compliance with the Act or the Regulations;

then DNR may, until the Project is brought into compliance or the FAA non-compliance is cured to the satisfaction of DNR or DOA, impose one (1) or more of the following sanctions:

- (i) Progress payments or disbursements otherwise due the Municipality of up to 20% may be withheld.
- (ii) Project work may be suspended.
- (iii) DNR may request a court of appropriate jurisdiction to enter an injunction or afford other equitable or judicial relief as the court finds appropriate.

(iv) Other administrative remedies may be pursued.

(b) If the Municipality fails to make any payment when due on the Municipal Obligations or fails to observe or perform any other covenant, condition, or agreement on its part under this FAA for a period of thirty (30) days after written notice is given to the Municipality by DNR, specifying the default and requesting that it be remedied, the SDWLP is provided remedies by law and this FAA. These remedies include, but are not limited to, the following rights:

(1) Pursuant to s. 281.59(11)(b), Wis. Stats., DOA shall place on file a certified statement of all amounts due the SDWLP under this FAA. DOA may collect all amounts due the SDWLP by deducting those amounts from any State payments due the Municipality, or add a special charge to the amount of taxes apportioned to and levied upon the county in which the Municipality is located under s. 70.60, Wis. Stats.

(2) The SDWLP may, without giving bond to the Municipality or anyone claiming under it, have a receiver appointed for the SDWLP's benefit of the Project and the Municipality's Water System and of the earnings, income, rents, issues and profits thereof, with such powers as the court making such appointment shall confer. The Municipality hereby irrevocably consents to such appointment.

(3) In the case of a joint utility system, the SDWLP may bill the users of the Municipality's system directly.

(4) The SDWLP may declare the principal amount of the Municipal Obligations immediately due and payable.

(5) The SDWLP may enforce any right or obligation under this FAA, including the right to seek specific performance or mandamus, whether such action is at law or in equity.

(6) The SDWLP may increase the interest rate set forth in Section 3.01 hereof to the market interest rate as defined in the Act and Regulations.

**Section 3.07. Security for the Municipal Obligations** In accordance with the terms of the Municipal Obligation Resolution:

(a) as security for the Municipal Obligations, the Municipality hereby pledges the revenue to be derived from the Municipality's Water Rates (which is a dedicated source of revenue); and

(b) other than as already pledged to the outstanding Senior Municipal Obligations, the Municipality shall not pledge the revenues, except as provided in Section 11 of the Municipal Obligation Resolution, to be derived from the Municipality's Water Rates or other revenues pledged under Section 3.07(a), above, to any person other than the SDWLP, unless the revenues pledged to such other person meet the highest debt coverage ratio then applicable to the Municipality.

**Section 3.08. Effective Date and Term** This FAA shall become effective upon its execution and delivery by the parties hereto, shall remain in full force and effect from such date and shall expire on such date as the Municipal Obligations shall be discharged and satisfied in accordance with the provisions thereof.



ARTICLE IV  
CONSTRUCTION OF THE PROJECT

Section 4.01. Insurance The Municipality agrees to maintain property and liability insurance for the Water System and Project that is reasonable in amount and coverage and that is consistent with prudent municipal insurance practices for the term of this FAA. The Municipality agrees to provide written evidence of insurance coverage to the SDWLP upon request at any time during the term of this FAA.

In the event that the Water System or Project is damaged or destroyed, the Municipality agrees to use the proceeds from its insurance coverage either to repay the Financial Assistance or to repair or replace the Water System.

Section 4.02. Construction of the Project The Municipality shall construct the Project, or cause it to be constructed, to Final Completion in accordance with the Application and the Plans and Specifications. The Municipality shall proceed with the acquisition and construction of the Project in conformity with law and with all applicable requirements of governmental authorities having jurisdiction with respect thereto, subject to such modifications of Plans and Specifications that alter the cost of the Project, use of space, scope or functional layout as may be previously approved by DNR.

Section 4.03. Performance Bonds The Municipality shall provide, or cause to be provided, performance bonds assuring the performance of the work to be performed under all construction contracts entered into with respect to the Project. All performance bonds required hereunder shall be issued by independent surety companies authorized to transact business in the State.

Section 4.04. Completion of the Project

(a) The Municipality agrees that it shall undertake and complete the Project for the purposes and in the manner set forth in this FAA and in accordance with all federal, state and local laws, ordinances and regulations applicable thereto. The Municipality shall, with all practical dispatch and in a sound and economical manner, complete or cause to be completed, the acquisition and construction of the Project, and do all other acts necessary and possible to entitle it to receive User Fees with respect to the Project at the earliest practicable time. The Municipality shall obtain all necessary approvals from any and all governmental agencies prior to construction which are requisite to the Final Completion of the Project.

(b) The Municipality shall notify DNR of the Substantial Completion of the Project. The Municipality shall cause to be prepared as-built plans for the Project at or prior to completion thereof.

(c) The Municipality shall take and institute such proceedings as shall be necessary to cause and require all contractors and material suppliers to complete their contracts diligently and in accordance with the terms of the contracts including, without limitation, the correcting of defective work.

(d) Upon Final Completion of the Project in accordance with the Plans and Specifications, the Municipality shall:

(1) certify to DNR its acceptance of the Project from its contractors, subject to claims against contractors and third parties;

(2) complete and deliver to DNR the completed Contract Utilization of Disadvantaged Business Enterprises (DBE) form attached hereto as Exhibit E of this FAA; and

(3) obtain all required permits and authorizations from appropriate authorities, if required, for operation and use of the Project.

Section 4.05. Payment of Additional Project Costs

(a) In the event of revised eligibility determinations, cost overruns and amendments exceeding the Financial Assistance amount, the SDWLP may allocate additional financial assistance to a Project. The allocation of additional financial assistance may be in the form of a loan at less than the market interest rate, which is established pursuant to the Act and Regulations. The allocation of additional financial assistance shall depend upon availability of funds and present value subsidy, pursuant to the Act and the Regulations.

(b) In the event that this Financial Assistance is not sufficient to pay the costs of the Project in full, the Municipality shall nonetheless complete the Project and pay that portion of the Project Costs as may be in excess of available Financial Assistance, and shall not be entitled to any reimbursement therefore from the SDWLP, or the owners of any bonds, except from the proceeds of additional financing which may be provided by the SDWLP pursuant to an amended FAA or through a separate FAA.

Section 4.06. No Warranty Regarding Condition, Suitability or Cost of Project Neither the SDWLP, DOA, DNR nor the Trustee makes any warranty, either express or implied, as to the Project or its condition or that it shall be suitable for the Municipality's purposes or needs, or that the Financial Assistance shall be sufficient to pay the costs of the Project. Review or approval of engineering reports, facilities plans, Plans and Specifications, or other documents, or the inspection of Project construction by DNR does not relieve the Municipality of its responsibility to properly plan, design, build and effectively operate and maintain the Project as required by laws, regulations, permits and good management practices. DNR or its representatives are not responsible for increased costs resulting from defects in the Plans and Specifications, or other Project documents. Nothing in this section prohibits a Municipality from requiring more assurances, guarantees, or indemnity or other contractual requirements from any party performing Project work.

## ARTICLE V COVENANTS

Section 5.01. Application of Financial Assistance The Municipality shall apply the proceeds of the Financial Assistance solely for Project Costs.

Section 5.02. Operation and Maintenance After completion of the Project, the Municipality shall:

- (a) at all times operate the Project or otherwise cause the Project to be operated properly and in a sound and economical manner, including proper training of personnel;
- (b) maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept, in good repair, working order and condition; and
- (c) periodically make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Project may be properly conducted and in a manner that is consistent with the Project performance standards contained in the Application and the requirements of the Water Diversion Permit (if any). The Municipality shall not, without the approval of DNR, discontinue operation of or sell or otherwise dispose of the Water System, except for portions of the Water System sold or otherwise disposed of in the course of ordinary repair and replacement of parts so long as this FAA is outstanding.

Section 5.03. Compliance with Law At all times during construction of the Project and operation of the Water System, the Municipality shall comply with all applicable federal, state and local laws, ordinances, rules, regulations, permits, approvals and this FAA, including without limitation, the Act, the Regulations and the Water Diversion Permit (if any).

Section 5.04. Public Ownership The Municipality shall at all times retain ownership of the Project and Water System of which it is a part.

Section 5.05. Establishment of Project Accounts; Audits

- (a) The Municipality shall maintain Project accounts in accordance with generally accepted accounting principles (GAAP) and directions issued by the SDWLP. Without any request, the Municipality shall furnish to DOA, as soon as available and in any event within one hundred twenty (120) days after the close of each fiscal year, a copy of the audit report for such year and accompanying GAAP-based financial statements for such period, as examined and reported by such independent certified public accountants of recognized standing selected by the Municipality and reasonably satisfactory to DOA, whose reports shall indicate that the accompanying financial statements have been prepared in conformity with GAAP.
- (b) The Municipality shall maintain a separate account that reflects the receipt and expenditure of all SDWLP funds for the Project. All Financial Assistance shall be credited promptly upon receipt thereof and shall be reimbursement for or expended only for Project Costs. The Municipality shall permit any authorized representative of DNR or DOA, or agents thereof, the right to review or audit all records relating to the Project or the Financial Assistance, and shall produce, or cause to be produced, all records relating to any work performed under the terms of this FAA for examination at such times as may be designated by any of them or their authorized representatives, and shall permit extracts and copies of the Project records to be made by them or their authorized representatives, and shall fulfill information requests by them or their authorized representatives.

Section 5.06. Records The Municipality shall retain all files, books, documents and records relating to construction of the Project for at least three years following the date of Final Completion of the Project, or for longer periods if necessary due to any appeal, dispute, or litigation. All other files and records relating to the

Project shall be retained so long as this FAA remains in effect. As-built plans for the Project shall be retained for the useful life of the Project.

Section 5.07. Project Areas The Municipality shall permit representatives of DNR access to the Project and related records at all reasonable times, include provisions in all contracts permitting such access during construction and operation of the Water System, and allow extracts and copies of Project records to be made by DNR representatives.

Section 5.08. Engineering Inspection The Municipality shall provide competent and adequate inspection of all Project construction, under the direction of a professional engineer licensed in the State. The Municipality shall direct such engineer to inspect work necessary for the construction of the Project and to determine whether such work has been performed in accordance with the Plans and Specifications. Any such work not in accordance with the Plans and Specifications shall be remedied, unless such noncompliance is waived by DNR.

Section 5.09. Tax Covenants

(a) The Municipality covenants and agrees that it shall not take any action or omit to take any action, which action or omission would result in the loss of the exclusion of the interest on any Municipal Obligations now or hereafter issued from gross income for purposes of federal income taxation as that status is governed by Section 103(a) of the Code or any successor provision.

(b) The Municipality shall not take any action or omit to take any action, which action or omission would cause its Municipal Obligations to be "private activity bonds" within the meaning of Section 141(a) of the Code or any successor provision.

(c) The Municipality shall not directly or indirectly use or permit the use of any proceeds of the Bonds (or amounts replaced with such proceeds) or any other funds or take any action or omit to take any action, which use or action or omission would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code or any successor provision. The Municipality hereby further covenants to ensure that all amounts actually received by such Municipality from the SDWLP are advanced to the entity submitting the invoice (or to reimburse the Municipality) to which each amount relates within three business days and that all amounts actually received by such Municipality from the SDWLP shall not be invested in any interest-bearing account.

(d) The Municipality shall not use (directly or indirectly) the proceeds of the Bonds in any manner that would constitute an "advance refunding" within the meaning of Section 149(d)(5) of the Code or any successor provision.

Section 5.10. User Fee Covenant

(a) The Municipality hereby certifies that it has adopted and shall charge User Fees with respect to the Project in accordance with applicable laws and the Act and in amounts such that revenues of the Municipality with respect to the Project shall be sufficient, together with other funds available to the Municipality for such purposes, to pay all costs of operating and maintaining the Project in accordance with this FAA and to pay all amounts due under this FAA and the Municipal Obligations.

(b) The Municipality covenants that it shall adopt and shall adequately maintain for the design life of the Project a system of User Fees with respect to the Project. The Municipality covenants that it shall, from time to time, revise and charge User Fees with respect to the Project such that the revenues and funds described in paragraph (a) shall be sufficient to pay the costs described in paragraph (a).

Section 5.11. Notice of Impaired System The Municipality shall promptly notify DNR and DOA in the case of any material damage to or destruction of the Project or any part thereof, or actual or threatened proceedings for the purpose of taking or otherwise affecting by condemnation, eminent domain or otherwise, all or a part of the Water System, any action, suit or proceeding at law or in equity or by or before any governmental instrumentality or agency, or any other event which may impair the ability of the Municipality to construct the Project or operate the Water System or set and collect User Fees as set forth in Section 5.10.

Section 5.12. Hold Harmless The Municipality shall save, keep harmless and defend DNR and DOA, and all their officers, employees, and agents, against any and all liability claims, and costs of whatever kind and nature, for injury to or death of any person or persons and for loss or damage to any property occurring in connection with or in any way incident to or arising out of the construction, occupancy, use, service, operation, or performance of work in connection with the Project, acts, or omissions of the Municipality's employees, agents, or representatives.

Section 5.13. Nondiscrimination Covenant

(a) In connection with the Project, the Municipality agrees to comply with fair employment practices pursuant to subchapter II of ch. 111, Wis. Stats. This provision shall include, but is not limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Municipality agrees to post in conspicuous places, available for employees and applicants for employment, notices setting forth the provision of the nondiscrimination clause.

(b) The Municipality shall incorporate into all Project contracts which have yet to be executed the following provision: "In connection with the performance of work under this contract, the contractor agrees not to discriminate against any employee or applicant because of age, race, religion, color, handicap, sex, physical condition, developmental disability, or national origin. The contractor further agrees to comply with fair employment practices pursuant to subchapter II of ch. 111, Wis. Stats. This provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor further agrees to take affirmative action to ensure equal employment opportunities for persons with disabilities. The contractor agrees to post in conspicuous places, available for employees and applicants for employment, notices setting forth the provisions of the nondiscrimination clause."

Section 5.14. Employees The Municipality or its employees or agents are not employees or agents of the DNR or DOA for any purpose including worker's compensation.

Section 5.15. Adequate Funds The Municipality shall have sufficient funds available to repay the Municipal Obligations. The Municipality shall have sufficient funds available when construction of the Project is completed to ensure effective operation and maintenance of the Project for purposes constructed.

Section 5.16. Management The Municipality shall provide and maintain competent and adequate management, supervision, and inspection at the construction site to ensure that the completed work conforms to the Plans and Specifications. The Municipality shall furnish progress reports and such other information as DNR may require.

Section 5.17. Reimbursement Any payment of Financial Assistance to the Municipality in excess of the amount determined by final audit to be due the Municipality shall be reimbursed to DOA within 60 days after DNR or DOA provides a notice of overpayment.

Section 5.18. Unpaid User Fees The Municipality shall, to the fullest extent permitted by law, take all actions necessary to certify any unpaid User Fees to the county treasurer in order that such unpaid User Fees shall be added as a special charge to the property tax bill of the user.

Section 5.19. Rebates The Municipality agrees to pay to the SDWLP any refunds, rebates, credits, or other amounts received for Project Costs that have already been funded by the SDWLP. The SDWLP shall then apply the amount it receives as a Loan prepayment or as a recovery of a Loan disbursement with Principal Forgiveness (if there is no outstanding principal balance for the Project).

Section 5.20. Maintenance of Legal Existence

(a) Except as provided in par. (b), the Municipality shall maintain its legal existence and shall not dissolve or otherwise dispose of all or substantially all of its assets and shall not consolidate with or merge into another legal entity.

(b) A Municipality may consolidate with or merge into any other legal entity, dissolve or otherwise dispose of all of its assets or substantially all of its assets, transfer all or substantially all its assets to another legal entity (and thereafter be released of all further obligation under this FAA and the Municipal Obligations) if:

- (1) the resulting, surviving or transferee legal entity is a legal entity established and duly existing under the laws of Wisconsin;
- (2) such resulting, surviving or transferee legal entity is eligible to receive financial assistance under the Act;
- (3) such resulting, surviving or transferee legal entity expressly assumes in writing all of the obligations of the Municipality contained in this FAA and the Municipal Obligations and any other documents the SDWLP deems reasonably necessary to protect its environmental and credit interests; and
- (4) the SDWLP shall have consented in writing to such transaction, which consent may be withheld in the absolute discretion of the SDWLP.

Section 5.21. Federal Single Audit To the extent applicable, the Municipality shall comply with the audit requirements of OMB Circular A-133. The Municipality covenants that if it receives \$500,000 or more of financial assistance in a given calendar year, which originated from any federal funds, the Municipality shall commission an audit made in accordance with OMB Circular A-133, or in accordance with the federal laws and regulations governing the SDWLP. The Federal Catalogue of Domestic Assistance number is 66.468 for water project disbursements funded with federal money.

Section 5.22. Wage Rate Requirements The Municipality represents that it shall comply with Section 1450(e) of the Safe Drinking Water Act (41 USC 300j-9(e)), which requires that all laborers and mechanics employed by contractors and subcontractors funded directly by or assisted in whole or in part with funding under this Loan shall be paid wages at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor (DOL) in accordance with subchapter IV of chapter 31 of title 40, United States Code.

Section 5.23. Federal Project The Municipality covenants that the Project shall comply with the Federal requirements applicable to activities supported with federal funds, a list of which is included as Exhibit H to this FAA.

ARTICLE VI  
MISCELLANEOUS

Section 6.01. Notices All notices, certificates or other communications hereunder shall be sufficiently given, and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, return receipt requested to the addresses set forth below:

- (a) Department of Administration  
Office of Capital Finance  
Safe Drinking Water Loan Program  
101 East Wilson Street, 10th Floor  
Madison, WI 53702-0004  
Or  
PO Box 7864  
Madison, WI 53707-7864
- (b) Department of Natural Resources  
Bureau of Community Financial Assistance  
101 South Webster Street  
Madison, WI 53702-0005  
Or  
PO Box 7921  
Madison, WI 53707-7921
- (c) U.S. Bank Corp Trust  
Sharyl Saver EP-MN-WS3T  
60 Livingston Avenue  
St. Paul, MN 55101-2292
- (d) City of Waukesha  
130 Delafield Street  
Waukesha, WI 53188-3616

Any of the foregoing parties may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, by notice in writing given to the others. Any notice herein shall be delivered simultaneously to DNR and DOA.

Section 6.02. Binding Effect This FAA shall be for the benefit of, and shall be binding upon, the SDWLP and the Municipality and their respective successors and assigns.

Section 6.03. Severability In the event any provision of this FAA shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

Section 6.04. Amendments, Supplements and Modifications This FAA may be amended, supplemented or modified to provide for additional Financial Assistance for the Project by the SDWLP to the Municipality or for other purposes. All amendments, supplements and modifications shall be in writing between the SDWLP, by DNR and DOA acting under authority of the Act, and the Municipality.

Section 6.05. Execution in Counterparts This FAA may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 6.06. Applicable Law This FAA shall be governed by and construed in accordance with the laws of the State, including the Act.

Section 6.07. Benefit of Financial Assistance Agreement This FAA is executed, among other reasons, to induce the purchase of the Municipal Obligations. Accordingly, all duties, covenants, obligations and agreements of the Municipality herein contained are hereby declared to be for the benefit of and are enforceable by the SDWLP, its Trustee or its authorized agent.

Section 6.08. Further Assurances The Municipality shall, at the request of DNR and DOA, authorize, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements and other instruments as may be necessary or desirable for better assuring, conveying, providing Principal Forgiveness, assigning and confirming the rights, security interests and agreements concerning Principal Forgiveness or intended to be Principal Forgiveness provided by this FAA and relating to the Municipal Obligations.

Section 6.09. Assignment of Municipal Obligations The Municipality hereby agrees that the Municipal Obligations may be sold, transferred, pledged or hypothecated to any third party without the consent of the Municipality.

Section 6.10. Covenant by Municipality as to Compliance with General Resolution The Municipality covenants and agrees that it shall comply with the provisions of the General Resolution with respect to the Municipality and that the Trustee and the owners of the Bonds shall have the power and authority provided in the General Resolution. The Municipality further agrees to aid in the furnishing to DNR, DOA or the Trustee of opinions that may be required under the General Resolution.

Section 6.11. Termination This FAA may be terminated in whole or in part pursuant to one or more of the following:

- (a) The SDWLP and the Municipality may enter into an agreement to terminate this FAA at any time. The termination agreement shall establish the effective date of termination of this FAA, the basis for settlement of termination costs, and the amount and date of payment of any sums due either party.
- (b) If the Municipality wishes to terminate all or any part of the Project work unilaterally for which Financial Assistance has been awarded, the Municipality shall promptly give written notice to DNR. If the SDWLP determines that there is a reasonable basis for the requested termination, the SDWLP may enter into a termination agreement, including provisions for FAA termination costs, effective with the date of cessation of the Project work by the Municipality. If the SDWLP determines that the Municipality has ceased work on the Project without reasonable basis, the SDWLP may unilaterally terminate Financial Assistance or rescind this FAA.

Section 6.12. Rescission The SDWLP may rescind this FAA prior to the first disbursement of any funds hereunder if it determines that:

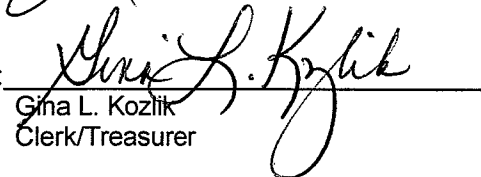
- (a) there has been substantial non-performance of the Project work by the recipient without justification under the circumstances;
- (b) there is substantial evidence this FAA was obtained by fraud;
- (c) there is substantial evidence of gross abuse or corrupt practices in the administration of the Project;
- (d) the Municipality has failed to comply with the covenants contained in this FAA; or
- (e) any of the representations of the Municipality contained in this FAA were false in any material respect.



IN WITNESS WHEREOF, the SDWLP and the Municipality have caused this FAA to be executed and delivered, as of the date and year first above written.

CITY OF WAUKESHA

By:   
Jeff Scrima  
Mayor

Attest:   
Gina L. Kozlik  
Clerk/Treasurer

STATE OF WISCONSIN  
DEPARTMENT OF ADMINISTRATION

By:   
Authorized Officer

STATE OF WISCONSIN  
DEPARTMENT OF NATURAL RESOURCES

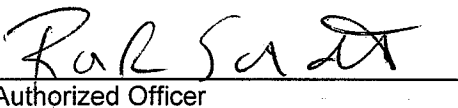
By:   
Authorized Officer

EXHIBIT A

PROJECT BUDGET SHEET SUMMARY

CITY OF WAUKESHA  
SDWLP Project No. 4928-04

	Total Project Costs	Ineligible SDWLP Costs (A)	SDWLP Eligible Costs	Eligible SDWLP Costs Paid With Municipal or Non-SDWLP Loan Funds (B)	Eligible Costs . Paid by Other Grant(s)	SDWLP Fundable Amount for this Project (C)	Principal Forgiveness Amount	Net SDWLP Loan Amount
Force Account	33,400		33,400			33,400	0	33,400
Interim Financing Costs	0		0			0	0	0
Engineering Report Preparation	0		0			0	0	0
Plans/Specifications Preparation	45,411		45,411			45,411	45,411	0
Land or Easement Acquisition	95,980		95,980			95,980	78,767	17,213
Engineering/Construction Mgmt.	34,434		34,434			34,434	0	34,434
Construction/Equipment	959,095		959,095			959,095	0	959,095
Contingency	47,955		47,955			47,955	0	47,955
Miscellaneous Costs	19,504		19,504			19,504	0	19,504
SDWLP Closing Costs	6,000		6,000			6,000	0	6,000
<b>TOTAL</b>	<b>1,241,779</b>	<b>0</b>	<b>1,241,779</b>	<b>0</b>	<b>0</b>	<b>1,241,779</b>	<b>124,178</b>	<b>1,117,601</b>

A = Municipal internal funds or other grant funding will cover ineligible SDWLP costs.

B = Eligible SDWLP costs paid with municipal internal funds or other non-SDWLP loan funds.

C = This amount is calculated before deducting funding provided from non-SDWLP sources.

**City of Waukesha, Wisconsin****Exhibit B-1****Project 4928-04 Safe Drinking Water Loan Program**

Loan Closing Date:

**May 22, 2013**

<u>Payment Date</u>	<u>Principal Payment</u>	<u>Interest Rate</u>	<u>Interest Payment</u>	<u>Principal &amp; Interest</u>	<u>Bond Year Debt Service</u>	<u>Calendar Year Debt Service</u>
1-Nov-13		1.925%	9,501.94	9,501.94		9,501.94
1-May-14	46,341.30	1.925%	10,756.91	57,098.21	66,600.15	
1-Nov-14		1.925%	10,310.87	10,310.87		67,409.08
1-May-15	47,233.37	1.925%	10,310.87	57,544.24	67,855.11	
1-Nov-15		1.925%	9,856.25	9,856.25		67,400.49
1-May-16	48,142.61	1.925%	9,856.25	57,998.86	67,855.11	
1-Nov-16		1.925%	9,392.88	9,392.88		67,391.74
1-May-17	49,069.36	1.925%	9,392.88	58,462.24	67,855.12	
1-Nov-17		1.925%	8,920.59	8,920.59		67,382.83
1-May-18	50,013.94	1.925%	8,920.59	58,934.53	67,855.12	
1-Nov-18		1.925%	8,439.20	8,439.20		67,373.73
1-May-19	50,976.71	1.925%	8,439.20	59,415.91	67,855.11	
1-Nov-19		1.925%	7,948.55	7,948.55		67,364.46
1-May-20	51,958.01	1.925%	7,948.55	59,906.56	67,855.11	
1-Nov-20		1.925%	7,448.46	7,448.46		67,355.02
1-May-21	52,958.21	1.925%	7,448.46	60,406.67	67,855.13	
1-Nov-21		1.925%	6,938.73	6,938.73		67,345.40
1-May-22	53,977.65	1.925%	6,938.73	60,916.38	67,855.11	
1-Nov-22		1.925%	6,419.20	6,419.20		67,335.58
1-May-23	55,016.72	1.925%	6,419.20	61,435.92	67,855.12	
1-Nov-23		1.925%	5,889.66	5,889.66		67,325.58
1-May-24	56,075.79	1.925%	5,889.66	61,965.45	67,855.11	
1-Nov-24		1.925%	5,349.93	5,349.93		67,315.38
1-May-25	57,155.25	1.925%	5,349.93	62,505.18	67,855.11	
1-Nov-25		1.925%	4,799.82	4,799.82		67,305.00
1-May-26	58,255.49	1.925%	4,799.82	63,055.31	67,855.13	
1-Nov-26		1.925%	4,239.11	4,239.11		67,294.42
1-May-27	59,376.91	1.925%	4,239.11	63,616.02	67,855.13	
1-Nov-27		1.925%	3,667.60	3,667.60		67,283.62
1-May-28	60,519.92	1.925%	3,667.60	64,187.52	67,855.12	
1-Nov-28		1.925%	3,085.10	3,085.10		67,272.62
1-May-29	61,684.92	1.925%	3,085.10	64,770.02	67,855.12	
1-Nov-29		1.925%	2,491.38	2,491.38		67,261.40
1-May-30	62,872.36	1.925%	2,491.38	65,363.74	67,855.12	
1-Nov-30		1.925%	1,886.24	1,886.24		67,249.98
1-May-31	64,082.65	1.925%	1,886.24	65,968.89	67,855.13	
1-Nov-31		1.925%	1,269.44	1,269.44		67,238.33
1-May-32	65,316.25	1.925%	1,269.44	66,585.69	67,855.13	
1-Nov-32		1.925%	640.77	640.77		67,226.46
1-May-33	66,573.58	1.925%	640.77	67,214.35	67,855.12	67,214.35
Totals	1,117,601.00		238,246.41	1,355,847.41	1,355,847.41	1,355,847.41

Net Interest Rate 1.9250%  
Bond Years 12,376.4385  
Average Life 11.0741

The above schedule assumes full disbursement of the loan on the loan closing date.

30-Apr-13 Wisconsin Department of Administration

EXHIBIT C

FORM OF LOAN DISBURSEMENT TABLE

<u>Amount of Disbursement</u>	<u>Date of Disbursement</u>	<u>Series of Bonds</u>	<u>Principal Repaid</u>	<u>Principal Balance</u>
\$ _____	_____	_____	\$ _____	\$ _____
\$ _____	_____	_____	\$ _____	\$ _____
\$ _____	_____	_____	\$ _____	\$ _____
\$ _____	_____	_____	\$ _____	\$ _____
\$ _____	_____	_____	\$ _____	\$ _____
\$ _____	_____	_____	\$ _____	\$ _____
\$ _____	_____	_____	\$ _____	\$ _____
\$ _____	_____	_____	\$ _____	\$ _____
\$ _____	_____	_____	\$ _____	\$ _____

## EXHIBIT D

### OPERATING CONTRACTS

As of the date of this FAA, the Municipality does not have any contracts with private entities or other governmental units to operate its Water System.





EXHIBIT F

PROJECT MANAGER SUMMARY PAGE

CITY OF WAUKESHA  
SDWLP Project No. 4928-04

1. Project Description: This project involves construction of a 20" pipeline on Dolphin Drive, Marlin Court, Coral Drive and Arcadian Avenue to transport radium compliant water.
2. Ineligible Costs: There were no ineligible costs identified in the review of this project. If the Department identifies ineligible Project Costs as the Project progresses, the Department will notify the Municipality.
3. Miscellaneous Costs: As shown in the Project Budget Sheet Summary (Exhibit A), SDWLP funding in the amount of \$19,504 is included in the Miscellaneous category for:
  - ◆ Soil Borings - \$3,904
  - ◆ Land/Easement Appraisals - \$11,900
  - ◆ Administrative Expenses - \$500
  - ◆ Hydraulic Analysis Study - \$3,200
4. Contingency Allowance: The Contingency allowance of \$47,955 is five percent of the amount of uncompleted construction work.
5. Federal Single Audit: This project is expected to be funded, at least in part, with federal funds and is subject to the Federal Single Audit requirements referenced in Section 5.21 of the FAA. If the municipality receives more than \$500,000 of money that originates from any federal source in a calendar year, then it must commission a Federal Single Audit as a part of its regular financial audit. The Federal Catalogue of Domestic Assistance number is 66.468 for water project disbursements funded with federal money.
6. Green Project Reserve: Project involves installation of 20" water main in the area of the Hillcrest Reservoir which will improve flow and pressure and significantly reduce friction loss, resulting in a significant energy reduction and savings. Over the next 35 years, the addition of this main will result in an energy savings of over 3,700,000 kilowatt-hours, which is a financial savings of over \$370,000 to the Waukesha Utility.

Water Efficiency

\$959,095



EXHIBIT G

WAGE RATE COMPLIANCE CERTIFICATION

**[To Be Prepared on Municipal Letterhead at Project Completion and Closeout]**

The undersigned officials of the City of Waukesha (the "Municipality") hereby certify that, for all expenditures made for construction of DNR Project No. 4928-04 (the "Project"), the Municipality has met all the requirements of the Davis-Bacon Act.

The above certification is determined, after due and diligent investigation, to be true and accurate to the best of my knowledge.

By: \_\_\_\_\_  
[Name of Highest Elected Official]

Dated as of: \_\_\_\_\_

Attest: \_\_\_\_\_  
[Name of Clerk or Secretary]

Dated as of: \_\_\_\_\_

## EXHIBIT H

### LIST OF FEDERAL LAWS AND AUTHORITIES

#### Environmental Authorities

- Archeological and Historic Preservation Act, Pub. L. 93-291, as amended
- Clean Air Act, Pub. L. 95-95, as amended
- Clean Water Act, Titles III, IV and V, Pub. L. 92-500, as amended
- Coastal Barrier Resources Act, Pub. L. 97-348
- Coastal Zone Management Act, Pub. L. 92-583, as amended
- Endangered Species Act, Pub. L. 92-205, as amended
- Environmental Justice, Executive Order 12898
- Flood Plain Management, Executive Order 11988 as amended by Executive Order 12148
- Protection of Wetlands, Executive Order 11990 as amended by Executive Order 12608
- Farmland Protection Policy Act, Pub. L. 97-98
- Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- Magnuson-Stevens Fishery Conservation and Management Act, Pub. L. 94-265
- National Historic Preservation Act, Pub. L. 89-655, as amended
- Safe Drinking Water Act, Pub. L. 92-523, as amended
- Wild and Scenic Rivers Act, Pub. L. 90-54, as amended

#### Economic and Miscellaneous Authorities

- Debarment and Suspension, Executive Order 12549
- Demonstration Cities and Metropolitan Development Act, Pub. L. 89-754, as amended, and Executive Order 12372
- Drug-Free Workplace Act, Pub. L. 100-690
- New Restrictions on Lobbying, Section 319 of Pub. L. 101-121
- Prohibitions relating to violations of the Clean Water Act or Clean Air Act with respect to Federal contracts, grants, or loans under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, and Executive Order 11738
- Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended

#### Civil Rights, Nondiscrimination, Equal Employment Opportunity Authorities

- Age Discrimination Act, Pub. L. 94-135
- Equal Employment Opportunity, Executive Order 11246
- Section 12 of the Clean Water Act, Pub. L. 92-500
- Section 504 of the Rehabilitation Act, Pub. L. 93-112 supplemented by Executive Orders 11914 and 11250
- Title VI of the Civil Rights Act, Pub. L. 88-352

#### Disadvantaged Business Enterprise Authorities

Participation by Disadvantaged Business Enterprises in Procurement Under Environmental Protection Agency (EPA)  
Financial Assistance Agreements

REGISTERED  
NO. 1

UNITED STATES OF AMERICA  
STATE OF WISCONSIN  
WAUKESHA COUNTY  
CITY OF WAUKESHA

REGISTERED  
\$1,117,601

WATERWORKS SYSTEM REVENUE BOND, SERIES 2013

Final  
Maturity Date

May 1, 2033

Date of  
Original Issue

May 22, 2013

REGISTERED OWNER: STATE OF WISCONSIN SAFE DRINKING WATER LOAN  
PROGRAM

FOR VALUE RECEIVED the City of Waukesha, Waukesha County, Wisconsin (the "Municipality") hereby acknowledges itself to owe and promises to pay to the registered owner shown above, or registered assigns, solely from the fund hereinafter specified, the principal sum of an amount not to exceed ONE MILLION ONE HUNDRED SEVENTEEN THOUSAND SIX HUNDRED ONE DOLLARS (\$1,117,601) (plus interest) as much as shall have been drawn hereunder, as provided below) on May 1 of each year commencing May 1, 2014 until the final maturity date written above, together with interest thereon (but only on amounts as shall have been drawn hereunder, as provided below) from the dates the amounts are drawn hereunder or the most recent payment date to which interest has been paid, at the rate of 1.925% per annum, calculated on the basis of a 360-day year made up of twelve 30-day months, such interest being payable on the first days of May and November of each year, with the first interest being payable on November 1, 2013.

The principal amount evidenced by this Bond may be drawn upon by the Municipality in accordance with the Financial Assistance Agreement entered by and between the Municipality and the State of Wisconsin by the Department of Natural Resources and the Department of Administration including capitalized interest transferred (if any). The principal amounts so drawn shall be repaid in installments on May 1 of each year commencing on May 1, 2014 in an amount equal to an amount which when amortized over the remaining term of this Bond plus current payments of interest (but only on amounts drawn hereunder) at One and 925/1000ths percent (1.925%) per annum shall result in equal annual payments of the total of principal and the semiannual payments of interest. The State of Wisconsin Department of Administration shall record such draws and corresponding principal repayment schedule on a cumulative basis in the format shown on the attached Schedule A.

Both principal and interest hereon are hereby made payable to the registered owner in lawful money of the United States of America. On the final maturity date, principal of this Bond shall be payable only upon presentation and surrender of this Bond at the office of the Municipal Treasurer. Principal hereof (except the final maturity) and interest hereon shall be payable by electronic transfer or by check or draft dated on or before the applicable payment date and mailed from the office of the Municipal Treasurer to the person in whose name this Bond is registered at the close of business on the fifteenth day of the calendar month next preceding such interest payment date.

The Bonds shall not be redeemable prior to their maturity, except with the consent of the registered owner.

This Bond is transferable only upon the books of the Municipality kept for that purpose at the office of the Municipal Treasurer, by the registered owner in person or its duly authorized attorney, upon surrender of this Bond, together with a written instrument of transfer (which may be endorsed hereon) satisfactory to the Municipal Treasurer, duly executed by the registered owner or its duly authorized attorney. Thereupon a replacement Bond shall be issued to the transferee in exchange therefor. The Municipality may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or interest hereof and for all other purposes. This Bond is issuable solely as a negotiable, fully-registered bond, without coupons, and in denominations of \$0.01 or any integral multiple thereof.

This Bond is issued for the purpose of providing for the payment of the cost of constructing improvements to the Waterworks System of the Municipality, pursuant to Article XI, Section 3, of the Wisconsin Constitution, Section 66.0621, Wisconsin Statutes, and a resolution adopted May 7, 2013, and entitled: "Resolution Authorizing the Issuance and Sale of Up to \$1,117,601 Waterworks System Revenue Bonds, Series 2013, and Providing for Other Details and Covenants With Respect Thereto" and is payable only from the income and revenues derived from the operation of the Waterworks System of the Municipality (the "Utility"). The Bonds are issued on a basis junior and subordinate to the Municipality's Waterworks System Revenue Bonds, Series 2006, dated April 15, 2006 and Waterworks System Revenue Bonds, Series 2008, dated April 22, 2008, as to the pledge of income and revenues of the Utility. This Bond does not constitute an indebtedness of said Municipality within the meaning of any constitutional or statutory debt limitation or provision.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen, and be performed precedent to and in the issuance of this Bond have existed, have happened and have been performed in due time, form and manner as required by law; and that sufficient of the income and revenue to be received by said Municipality from the operation of its Utility has been pledged to and will be set aside into a special fund for the payment of the principal of and interest on this Bond.

IN WITNESS WHEREOF, the Municipality has caused this Bond to be signed by the signatures of its Mayor and City Clerk, and its corporate seal to be impressed hereon, all as of the date of original issue specified above.

CITY OF WAUKESHA,  
WISCONSIN

(SEAL)



By: \_\_\_\_\_

Jeff Scrma  
Mayor

**SPECIMEN**

By: \_\_\_\_\_

Gina L. Kozlik  
Acting City Clerk

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Please print or typewrite name and address, including zip code, of Assignee)

Please insert Social Security or other identifying number of Assignee

\_\_\_\_\_

the within Bond and all rights therein hereby irrevocably constituting and appointing

**SPECIMEN**

\_\_\_\_\_  
Attorney to transfer said Bond on the books kept for the registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
NOTICE: The signature of this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

Signature(s) guaranteed by

\_\_\_\_\_

SCHEDULE A

\$1,117,601

CITY OF WAUKESHA, WISCONSIN  
WATERWORKS SYSTEM REVENUE BONDS, SERIES 2013

<u>Amount of Disburse- ment</u>	<u>Date of Disbursement</u>	<u>Series of Bonds</u>	<u>Principal Repaid</u>	<u>Principal Balance</u>

SPECIMEN

SCHEDULE A (continued)

PRINCIPAL REPAYMENT SCHEDULE

<u>Date</u>	<u>Principal Amount</u>
May 1, 2014	\$46,341.30
May 1, 2015	47,233.37
May 1, 2016	48,142.61
May 1, 2017	49,069.36
May 1, 2018	50,013.94
May 1, 2019	50,976.71
May 1, 2020	51,958.01
May 1, 2021	52,958.21
May 1, 2022	53,977.65
May 1, 2023	55,016.72
May 1, 2024	56,075.79
May 1, 2025	57,155.25
May 1, 2026	58,255.49
May 1, 2027	59,376.91
May 1, 2028	60,519.92
May 1, 2029	61,684.92
May 1, 2030	62,872.36
May 1, 2031	64,082.65
May 1, 2032	65,316.25
May 1, 2033	66,573.58

**SPECIMEN**



# AFFIDAVIT OF PUBLICATION

State of Wisconsin Circuit Court Waukesha County

## PROOF OF PUBLICATION

Account Name: Waukesha, City of/Comp. Office  
Telephone Number: 262-524-3560  
Address: Nancy Lovejoy  
201 Delafield Street  
Waukesha, WI 53188-3689

ACCT Number: 632924

IN THE MATTER OF: Waterworks Systems Bonds  
AD Number: 94963015  
AD Cost: 19.32

### NOTICE

On May 7, 2013, a resolution was offered, adopted and approved by the City of Waukesha, Waukesha County, Wisconsin (the "Municipality"), whereby the Municipality authorized and directed the issuance and sale of up to \$1,117,601 Waterworks System Revenue Bonds, Series 2013. The closing on these Bonds will be held on May 22, 2013. A copy of all proceedings had to date with respect to the authorization and sale of said Bonds is on file and may be examined in the office of the Acting City Clerk.

This Notice is given pursuant to Section 893.77, Wisconsin Statutes, which provides that an action or proceeding to contest the validity of such municipal financing, for other than constitutional reasons, must be commenced within thirty (30) days after the date of publication of this Notice.

Dated: May 8, 2013  
CITY OF WAUKESHA  
WISCONSIN  
Gina L. Kozlik  
Acting City Clerk  
Publish: May 10  
WNAXLP

I, Diane Heesen, being sworn, state:

I am the billing coordinator of the Waukesha Freeman, a public newspaper of general circulation, printed and published in the English language in the City of Waukesha, in Waukesha County, Wisconsin, and fully complying with the laws of Wisconsin relating to the publication of legal notices.

The notice, of which a printed copy attached hereto, is a true copy taken from the newspaper as published on the following dates.

5/10/13

Signed: *Diane Heesen*

Diane Heesen, Billing Coordinator

STATE OF WISCONSIN      SS.  
WAUKESHA COUNTY

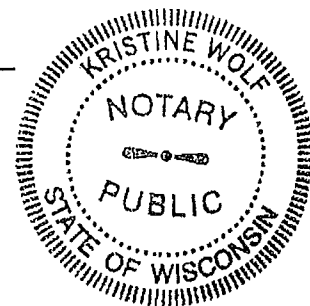
Personally came before me, this date of May 10, 2013  
the above named Diane Heesen to me known to be the person who executed  
the foregoing instrument and acknowledged the same.

Signed: *Kristine Wolf*

Kristine Wolf

Notary Public, Wisconsin

My Commission expires: 1/22/17



A RESOLUTION DECLARING OFFICIAL INTENT TO REIMBURSE  
EXPENDITURES FOR WATER SUPPLY SYSTEM IMPROVEMENTS

WHEREAS, the City of Waukesha, Waukesha County, Wisconsin (the "Municipality") owns and operates a water supply system (the "System") as a public utility; and

WHEREAS, the Municipality plans to construct improvements and extensions to the system as described in its Safe Drinking Water Fund Assistance Application and assigned Safe Drinking Water Fund Project No. 4928-04 by the Department of Natural Resources (the "Project"); and

*5 In (same project)*

WHEREAS, the Utility plans to construct these improvements with a low interest Safe Drinking Water Loan Program (SDWLP) loan; and

WHEREAS, these improvements may need to proceed with construction prior to receipt of the actual SDWLP loan due to the desire of the City and other users to expedite the project; and

WHEREAS, the City wishes to document its intent to use the SDWLP loan as a refinancing tool for expenditures that may be made before SDWLP loan closing; and

WHEREAS, the Municipality expects to receive a loan (the "Loan") from the State of Wisconsin Safe Drinking Water Loan Program (the "Program") to finance the Project and expects to issue tax-exempt bonds (the "Bonds") to the Program in evidence of the Loan; and

WHEREAS, because the Loan will not become available prior to November following the application approval, the Municipality must provide interim financing to cover costs of the Project incurred prior to receipt of the Loan; and

WHEREAS, it is necessary, desirable, and in the best interest of the Municipality to advance monies from its funds on hand on an interim basis until the Loan becomes available and the Bonds can be issued.

NOW, THEREFORE, BE IT RESOLVED by the City of Waukesha, Waukesha County, Wisconsin, that:

Section 1. Expenditure of Funds. The Municipality shall make expenditures as needed from funds on hand and possibly a "Bank Note" to pay the costs of planning, engineering and construction of these improvements until the SDWLP proceeds become available.

Section 2. Declaration of Official Intent. The Municipality hereby officially declares its intent under 26 CFR Section 1.103-18 to reimburse said expenditures with proceeds of the loan, the aggregate principal amount of debt expected not to exceed \$900,000.

Section 3. Unavailability of Long-Term Funds. No funds for payment of the Project from sources other than the Bonds are, or are reasonably expected to be, reserved, allocated on a

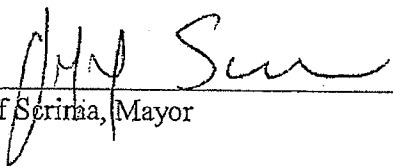
long term basis, or otherwise set aside by the Municipality pursuant to its budget or financial policies.

Section 4. Public Availability of Official Intent Resolution. This Resolution shall be made available for public inspection at the Municipal Clerk's office within thirty days after its approval in compliance with applicable State law governing the availability of records of official acts including subchapter II of Chapter 19, and shall remain available for public inspection until the Loan is issued.

Section 5. Effective Date. This Resolution shall be effective upon its adoption and approval.

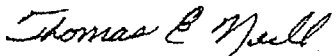
Adopted and recorded September 7, 2010

Approved September 8, 2010

  
Jeff Scrima, Mayor

(SEAL)

ATTEST:

  
Thomas Neill, City Clerk

